



Policy Analysis of The National Capital from An Economic-Political Perspective

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ABSTRACT

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Indonesia's plan to relocate its capital from Jakarta to East Kalimantan is driven by various socio-economic and environmental challenges in Jakarta, including overcrowding, economic disparity, water scarcity, and environmental degradation. The decision has faced criticism for its potential financial burden amidst the COVID-19 pandemic recovery efforts and concerns over legal and managerial complexities. Despite the strategic benefits of reduced congestion and disaster risk in Kalimantan, issues such as social integration, security threats, and the need for substantial funding remain pivotal in determining the project's success. This paper employs a qualitative descriptive approach, integrating academic literature and expert opinions, to analyze the economic-political implications of the capital relocation amid public resistance and government challenges.

1. Introduction

The government has planned to relocate the capital from Jakarta to East Kalimantan with consideration that the majority of Indonesia's population, about 56.10 percent, is concentrated on Java Island according to 2020 data from the Central Statistics Agency. In Java, particularly in the Jakarta and surrounding areas (Jabodetabek), a significant contribution to the national Gross Domestic Product (GDP) was recorded in 2021, reaching 57.89 percent of Indonesia's total GDP of Rp16,970.8 trillion. Jakarta's per capita GDP, reaching Rp274.7 million, far exceeds the national average of Rp62.2 million. The third reason related to the availability of clean water in Java indicates that the island is experiencing a water crisis, based on 2016 data from the Ministry of Public Works and Housing. Meanwhile, the fourth reason, based on the Strategic Environmental Assessment (KLHS) modeling conducted by Bappenas, shows that Java Island has undergone significant changes in land use function, with land use proportions for consumption needs being five times higher compared to Kalimantan Island. The following

reasons relate to massive urbanization growth in Java Island, especially in buffer zones around Jakarta such as Bogor, Depok, Tangerang, Bekasi, Puncak, and Cianjur. It is estimated that around 32 million residents live in this area known as Jabodetabekpunjur.

The last reason highlights the potential and environmental vulnerabilities faced by Jakarta itself, such as floods, landslides, coastal erosion, serious river pollution, and traffic congestion. Several criticisms of this relocation and new capital construction plan, along with its chosen location, have been voiced by various parties. Diningrat (2019) criticized the government plan as immature because of Jakarta's distribution reasons and weak support. He suggested that relocating the capital of the country outside Java would not be enough, and the government should focus more on distributing new growth centers and economic opportunities to eastern Indonesia. The PKS faction of the Indonesian Parliament also expressed similar criticisms in the Final Opinion at the Plenary Session on January 18, 2022, stating that relocating the national capital would require

many processes and would burden the country's finances, especially amidst the Covid-19 pandemic and national economic recovery. Henley (2004), an academic from Leiden University, stated that he believes it is not yet time to move Indonesia's capital. He suggested that the funds allocated for moving the capital should be used to promote economic sectors in Indonesia. Researchers from the Institute for Development Economics and Finance (INDEF), Rachbini & Adi (2004), criticized the rush to move the capital, which is considered to potentially burden the State Budget (APBN), which is currently in a critical condition.

Fadhil Hasan, another senior economist at INDEF, also questioned the urgency of moving the capital amid the Covid-19 pandemic, which has caused a national economic downturn. Emil Salim, former Minister of Environment of the Republic of Indonesia, highlighted that Indonesia as an archipelagic country has a unique context, and moving the capital cannot be compared only with other countries. He also worried that moving the capital could erase the country's historical value. All of these criticisms highlight various aspects that need to be deeply considered before proceeding with the capital relocation plan, including economic, environmental, and historical impacts on the country. Within the government apparatus itself, there is much debate and conflict regarding the plan and process of relocating the capital. According to Imawan's investigation (2021), relocating the capital is not just about moving physical buildings from Jakarta to East Kalimantan, but involves many different actors and stakeholders. There are also weaknesses in terms of legality and legitimacy, which create legal ambiguities in coordinating between the central government and local governments in East Kalimantan. This could create opportunities for management errors related to land use and increase the risk of corruption during the new capital's construction process. Additionally, challenges in the process and management of deploying adequate civil servants for the new capital are also a concern. Without proper management and discipline, population growth that is difficult to control, as seen in Jakarta, could lead to the possibility of relocating the capital to another location in the future. Furthermore, on

April 23, 2020, researchers from the UK and Indonesia found potential tsunami risks in the selected region for the new capital. They found that submarine landslides had occurred several times in the Makassar Strait, between Kalimantan and Sulawesi islands. If a large landslide occurs, a tsunami could threaten the nearby Balikpapan Bay region, close to the prospective capital. This finding supports previous warnings from the National Disaster Mitigation Agency (BNPB) highlighting potential flooding in estuarine, river, and coastal areas. Because the capital relocation policy is a serious issue with various impacts, the central government has a responsibility to seriously consider the dynamics of pros and cons that occur in society.

As stated by Dye (2013), public policy is the government's chosen step to implement or not. However, it is wiser if every policy-making process involves as many stakeholders as possible to produce solid, conducive, and rational policies for implementation. Based on this background, the purpose of this writing is to analyze the relocation of the national capital from an economic-political perspective, especially regarding the high resistance of society to the policy-making process, and how the government faces these challenges in realizing it.

2. Literature review

This text reviews various studies related to the relocation of capitals from different countries, involving analyses of factors influencing such decisions. Ishenda & Guoqing (2019), for instance, examined several determinants of capital relocation, including GDP per capita, economic growth, area size, population size, population density, form of government, territorial form, and capital type. Using logistic models, they concluded that four significant variables were GDP per capita, area size, population size, and population density. Illmann (2015) conducted a study categorizing reasons for capital relocation into five typologies. Firstly, to build or strengthen a nation's national identity. Secondly, to spread development to remote regions. Thirdly, as a response to complex issues faced by the previous capital. Fourthly, as a strategy to reduce rebellion threats. And fifthly, as a subjective decision by the country's leaders.

Capital relocation is often driven by political considerations to enhance national unity and strengthen symbols of national resurgence, as seen in Brazil, Nigeria, and Pakistan (Chase, 2008; Potts, 1985). Socio-economic factors also play a crucial role, where the establishment of a new capital is expected to reduce regional disparities (Alonso-Carrera et al., 2009; Pan & He, 2010). Additionally, physical limitations such as high population density and natural disasters like storms also justify capital relocation, such as in Belize City, which is frequently hit by storms. These studies demonstrate the complexity and diversity of reasons and factors influencing countries' decisions to relocate their capitals, influenced not only by political considerations and national identity but also by socio-economic and physical conditions of the existing capitals. This text discusses various considerations related to the relocation of Indonesia's capital, particularly from Jakarta to East Kalimantan. This move pertains not only to shifting economic activities but also to resolving social, ecological, and transportation issues in Jakarta carefully, aiming to prevent the transfer of problems from Jakarta to East Kalimantan, which will become the new capital.

Jakarta's multifunctional capital status is viewed as an impact of a centralized governance system, which, despite supporting political stability, also brings about certain social, political, economic, and ecological impacts. Awareness of the importance of regional autonomy and social sustainability in East Kalimantan is crucial in managing a new government and adapting to future development directions.

However, this relocation faces several inhibiting factors, including security threats to the new capital, substantial financial requirements, and unresolved complexity in funding. Although the government hopes for significant contributions from Public-Private Partnerships (PPP) to finance the capital relocation, challenges remain in the effectiveness of funding schemes to meet all necessary infrastructure needs.

Moreover, there are lessons to be learned from other countries that have not relocated their capitals, such as London, Paris, and Tokyo,

which successfully integrated government and business centers within their metropolitan areas (Li & Monzur, 2018; Raźniak et al., 2021). This underscores the importance of considering all costs and benefits of each option and learning from various successful models of managing large cities.

Presidential Regulation No. 3 of 2012 stipulates that at least 45 percent of Kalimantan Island's area must be preserved as the world's lungs. However, the relocation of the national capital also brings potential new challenges, such as vulnerable food availability, raw water shortages, high flood potential, and natural disaster risks such as earthquakes and tsunamis due to submarine landslides.

The relocation of the national capital is a major decision requiring careful consideration and comprehensive preparation to address all its social, economic, ecological, and security impacts.

3. Methods

This article adopts a qualitative descriptive approach by gathering various sources of literature, including primary and secondary data. Its aim is to provide relevant input into the formulation of strategic policies related to the relocation of the national capital, which is the focus of the analysis. The article refers to several academic journals, opinions from competent experts, as well as statistical data published by relevant authorities and survey reports from credible institutions.

Specifically, this article serves as an analysis of a policy, particularly regarding the policy of capital relocation, rather than as policy research itself. Weimer and Vining (2017), experts in public policy, distinguish between these two terms based on their unique characteristics. They explain that policy research aims to predict the impacts of changes in specific public policies along with the variables that influence them. On the other hand, policy analysis focuses more on comparing and evaluating alternative strategies that public actors can adopt to address various social problems arising from the implemented policy. The authors also emphasize that the difference between policy research and policy analysis is

reflected in their service utilization within the context of public policy analysis.

4. Result and Discussion

Resistance and Challenges to Capital Relocation

The relocation of Indonesia's capital from Jakarta to East Kalimantan faces significant resistance and challenges across various sectors and stakeholders. The decision to relocate is primarily driven by concerns over Jakarta's overwhelming role as the national economic and administrative center, compounded by severe urban issues such as floods, traffic congestion, and environmental degradation. However, this ambitious plan has sparked criticisms from multiple angles.

Economic Critiques

Economists and financial analysts, including Didik J. Rachbini and Fadhil Hasan from the Institute for Development Economics and Finance (INDEF), have voiced concerns over the financial burden and feasibility of the capital relocation amidst Indonesia's critical economic conditions exacerbated by the Covid-19 pandemic. They argue that redirecting funds towards developing existing economic sectors may yield more immediate and sustainable benefits than investing in a new administrative center.

Environmental and Social Concerns

Environmentalists and social scientists highlight the ecological vulnerabilities and social implications of moving the capital to East Kalimantan. Emil Salim, a former Minister of Environment, emphasizes the uniqueness of Indonesia's archipelagic context and the potential erasure of historical value associated with Jakarta. Moreover, the Strategic Environmental Assessment (KLHS) indicates significant land use changes and environmental risks in Java, contrasting with Kalimantan's relatively less disturbed landscape.

Legal and Administrative Challenges

The process of relocating the capital involves complex legal ambiguities and governance challenges. Imawan's investigation underscores issues of legality and legitimacy in coordinating between the central government

and local administrations in East Kalimantan, potentially fostering bureaucratic inefficiencies and corruption risks in land management and infrastructure development.

Geopolitical and Security Considerations

Geopolitically, concerns about the security and strategic vulnerability of the new capital have been raised. Researchers have identified potential risks, including tsunami threats from submarine landslides in the Makassar Strait, posing a hazard to the proposed capital's vicinity. These findings highlight the necessity for robust disaster preparedness and infrastructure resilience strategies in the new capital development plan.

Public Opinion and Societal Resistance

Public and political opposition, as reflected in critiques from various parliament factions and academic circles, underscores widespread skepticism towards the relocation's urgency and necessity. Critics argue for a more balanced approach that addresses regional development disparities and economic decentralization, rather than concentrating administrative functions in a single new capital.

The discourse surrounding the relocation of Indonesia's capital illustrates a multifaceted challenge encompassing economic, environmental, social, legal, and geopolitical dimensions. While the government aims to alleviate Jakarta's urban burdens and promote regional development through the new capital, substantial hurdles remain in terms of financial viability, environmental sustainability, and societal acceptance. Addressing these complexities requires comprehensive policy deliberation and stakeholder engagement to ensure that the relocation plan aligns with long-term national interests and effectively mitigates potential risks and challenges.

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5. Conclusion

In analyzing the policy of relocating the national capital from Jakarta to East Kalimantan from an economic-political perspective, several key considerations need to be taken into account. Firstly, the primary reasons behind this relocation plan include the pressure to reduce Jakarta's burden as the national economic and administrative center, which has significant contributions to the national Gross Domestic Product (GDP) and serious issues such as floods and traffic congestion. These indicate the necessity to redistribute economic activities to other regions in Indonesia.

However, this decision is not without criticism and challenges. Various stakeholders, including academics, parliamentary factions, and economic experts, view the plan as rushed and potentially burdensome to the already strained State Budget, especially amidst the Covid-19 pandemic and national economic recovery. Criticisms also encompass social, ecological, and historical aspects, with concerns about the sustainability of local communities in East Kalimantan and the environmental impacts of this large-scale infrastructure project.

Methodologically, this article employs a qualitative descriptive approach by gathering data from various literary sources, including primary and secondary data. This approach allows the authors to present an in-depth analysis of the impacts and implications of the national capital relocation policy, focusing on implementation success and the challenges faced. Although relocating the national capital to East Kalimantan has the potential to reduce regional disparities and promote regional economic development, this plan must be carefully managed. The government needs to thoroughly consider all aspects, including social, economic, ecological, and political factors, and integrate inputs from various stakeholders to ensure that this decision brings long-term benefits to the country and its people as a whole.

6. Limitation

This study primarily employs a qualitative descriptive approach, which inherently limits the generalizability of the findings. The analysis is based on existing literature, expert opinions, and secondary data, which may not capture the full scope of complexities and stakeholder perspectives involved in the capital relocation process. Additionally, the study focuses on the economic and political implications without extensively exploring the environmental, social, and cultural dimensions in a quantitative manner. The reliance on published data also means that more recent developments, particularly those related to the ongoing COVID-19 pandemic, may not be fully integrated into the analysis. Moreover, the absence of primary data collection restricts the depth of insight into the local population's views and the administrative challenges on the ground in East Kalimantan. Future research could benefit from a mixed-methods approach, incorporating both qualitative and quantitative data, as well as direct stakeholder engagement to provide a more comprehensive evaluation of the policy.

7. Implication

The findings of this study have significant implications for policymakers, particularly in the context of large-scale infrastructural projects like the national capital relocation. The analysis highlights the necessity for a balanced approach that carefully considers economic, environmental, and social trade-offs. Policymakers must ensure that the relocation process does not exacerbate existing regional disparities or create new socio-economic and environmental challenges in East Kalimantan. The study underscores the importance of involving a broad range of stakeholders, including local communities, in the decision-making process to enhance legitimacy and minimize resistance. Additionally, the study suggests that strategic planning should incorporate robust risk management frameworks, particularly in addressing potential legal ambiguities, financial constraints, and environmental risks associated with the relocation. By addressing these factors, the government can improve the sustainability and

success of the capital relocation project, aligning it with long-term national development goals.

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