

Indonesia's presidential race 2019

A briefing prepared by Asia House Research and Advisory practice

Indonesia is the biggest and arguably the most dynamic economy in South East Asia, with a GDP of more than a trillion dollars, a population of 264 million, diverse natural resources and solid demographics.

Its trajectory since the political and economic collapse of 1998 – when the rupiah dropped 80 percent against the USD and Suharto's new order authoritarian government was toppled – to becoming the region's biggest economy and most robust democracy is testament to attempts by successive governments to court foreign investment and retain a relatively free and secular public sphere. Now is a pivotal time for Indonesia – the government is battling to maintain the value of the rupiah amid changing global trade conditions, while lively public debates take place over the role of Islam in public life, the prevalence of social inequality, foreign debt and fake news.

With six months to go until the April 2019 elections, it's all to play for. The elections will see a rematch of the 2014 vote, with not only the same faces, but a similar set of issues. Incumbent Joko Widodo (Jokowi), the nation's first leader from outside the political and military elite, is facing Prabowo Subianto, a former Lieutenant General and Gerindra Party Chairman who is known for his ties to the establishment elite.

Jokowi remains the favourite; he is ahead in the most recent polls and retains his image as a down-to-earth man of the people. He has not, however, delivered on key election promises on fighting corruption, reforming government institutions and improving the country's creaking infrastructure. In an effort to bolster his religious credentials and appeal to more conservative elements, he has chosen Ma'ruf Amin as his running partner, a traditional and conservative cleric.

Prabowo on the other hand offers a strong-man image. As a former military leader he is strong on security and promotes a 'just' society through economic and political prosperity. There are overlapping themes with Jokowi's campaign but precise policy remains unclear. Prabowo's running mate is Sandiaga Uno, a business entrepreneur and investor who retired as Jakarta's deputy governor in order to run. Uno has economic credibility and has already shown his appeal to younger voters, who make up approximately 30 percent of the electorate and are crucial to the campaign.

Below we look at the main factors to watch going into the election campaign and its potential implications.

It's the economy, bodoh¹

The economy is set to be the central aspect of the election campaign. It is a relative weak spot for Jokowi and one that Prabowo has already attacked on several fronts. Both sides are likely to increase their appeals to economic nationalism in an attempt to resonate with voters, amid global trade tensions and emerging market concerns worldwide.

¹ (Translation: 'stupid')

The rupiah fell to its lowest value in more than 20 years this month, causing fears of a new financial crisis as memories of 1998 resurfaced. The proximate causes are largely recent and external – increased US interest rates, emerging market contagion concerns caused by Turkey’s Lira crisis, and U.S. trade policy. However, a large current account deficit, caused by rising oil prices, and the high level of US dollar dominated debt are contributing underlying structural factors. The government has attempted to convey that short-term falls do not reflect long-term economic prospects, especially as they continue with a policy of wholesale economic reform. While this position has been backed by the IMF, it is difficult to convey to voters, who tend to focus on pocketbook issues such as the cost of living or more relatable issues such as increased foreign debt.

Cost of living and social inequality will be a key focus for the middle class and a driver of populism. Despite Jokowi successfully fulfilling some promises to implement reformed welfare programmes, inequality remains stubbornly high. Jokowi will be forced to ramp up appeals to economic nationalism as he builds on his success in taking state control over several previously foreign privately-owned natural resource assets. He has already set aside US\$20 billion from planned infrastructure projects to use for price controls on energy, rice and sugar.

Prabowo has also pledged to not let other nations exploit Indonesian wealth and suggested deploying further protectionist policies to reduce Indonesia’s reliance on food imports, a recurring theme in Indonesian public debate.

Foreign debt has grown 48 percent under Jokowi, largely due to spending on infrastructure plans. Prabowo has already claimed that Indonesia’s foreign debt trajectory will mean the country will be bankrupt by 2030 – this claim is not backed up by evidence but indicates where Prabowo will attack.

One of Jokowi’s election promises has been to vastly improve the nation’s infrastructure. Despite some minor successes, this promise has remained largely unfulfilled. A major obstacle has been securing the necessary levels of private investment from more diverse sources. Jokowi has crucially failed to reduce the nation’s reliance on Chinese money for large infrastructure projects, as well as trade in general. Chinese investment into Indonesia has skyrocketed under Jokowi’s leadership – from US\$600 million in 2015, to US\$3.36 billion in 2017. The issue is currently salient across the region, with Malaysia cancelling Chinese funded infrastructure projects and heightened rhetoric surrounding the fairness of foreign investment. China is also Indonesia’s top import and export destination by a large margin.

Foreign workers are also likely to feature during the campaign. Prabowo is likely to tap into lingering xenophobic tendencies throughout Indonesia, particularly towards the ethnically Chinese population. Although foreign workers only make up approximately 0.02 percent of the population, the issue is often linked to underemployment, which is at around 30 percent throughout Indonesia. Further, Jokowi has implemented a policy to speed up foreign-worker applications as an attempt to fill skill shortages, a point that may be vulnerable to attacks from the opposition.

Religion in politics

Over recent years political Islam has gained momentum in Indonesia, as groups promoting it pursue their interests using legal avenues as opposed to protesting against the system from the outside. Since his first election campaign, and continuing with the rising momentum of hard-line Islamic groups, Jokowi has faced repeated criticism over his religious credentials. These groups had a pivotal role in toppling Jakarta's former Governor Basuki "Ahok" Tjahaja Purnama (Jokowi's former deputy and political ally) in the 2017 elections, and his subsequent jailing; he was jailed on very strictly applied blasphemy laws where the evidence was taken out of context and likely magnified due to the election season.

The winner of the Jakarta gubernatorial election, Anies Baswedan, is from Prabowo's party and was supported by powerful hard-line Islamic groups that organised mass protests and online campaigns designed to influence the election. These hard-line Islamic groups are likely to come out in support of Prabowo, especially as he himself has strong connections to them. Jokowi has also been repeatedly accused of being anti-Muslim, a charge further exacerbated by his move to ban the radical Islamic group Hizbut Tahrir Indonesia (HTI), which aims to establish an Islamic caliphate in the nation.

Jokowi has somewhat neutralised the debate surrounding religion by selecting Ma'ruf Amin – head of the Indonesian Ulema Council and supreme leader of Nahdlatul Ulama (Indonesia's largest Islamic organisation) – as his running mate. This was a thinly-veiled attempt to ward off political attacks from hard-line Islamic groups and win over those who harbour doubts of his religious credentials.

Portions of Jokowi's supporter base have criticised him over this move, accusing him of selling out to conservative elements. This is especially so considering Ma'ruf Amin's very traditionalist track record. He had a pivotal role in Ahok's election loss and blasphemy trial and has issued Fatwas² accused of legitimising persecution against minority groups.

Initially expected to be the election's most important issue, religion is still one to watch as Islamic groups seek to capitalise on the gains made in the 2017 Jakarta Gubernatorial elections. This remains a salient issue for millions of voters and one that has caused deep divisions in Indonesia's pluralist society.

Election issues – reflecting global trends

Hoaxes, or "fake news", runs rampant throughout Indonesia's social media, especially on the WhatsApp platform. Coupled with the country's low digital literacy rates, "fake news" has had real-world consequences, including vigilante justice, arrests and riots against victims of misinformation. There are both civil society initiatives, such as the website CekFakta.com, and government moves aimed at countering the problem. The Department of Communications announced it will host weekly fake news briefings and is debunking hoaxes on a site called StopHoax.id. They have also blocked certain websites that exist to spread fake news and disbanded fake news groups. Even with these initiatives, hoaxes remain a serious problem in

² A Fatwa is a ruling on a point of Islamic Law by a recognised authority

Indonesian politics. They have already manifested in the current election; a member of Prabowo's campaign claimed she had been assaulted by three men who were allies of President Jokowi. The false claims were quickly debunked as police investigations attributed her bruises to recent plastic surgery she was attempting to cover up.

Free speech is consequently becoming an issue, since government action against hoaxes and fake news are vulnerable to accusations that they attempt to silence opponents and clamp down on free speech. Rights activists have already criticised the country's internet law as being too vague and arbitrary.

With the presence of "fake news factories" in Indonesia, it is likely that misinformation will continue to play a prominent role in the campaign, despite attempts to combat it.

Money politics and corruption, although still notable issues, have not yet garnered as much attention on the campaign trail as previous elections. Jokowi is vulnerable to attacks on the issue of corruption, as reforming government to being more 'horizontal' and accountable to the population was one of his 2014 election promises. Prabowo is embedded in the historically corrupt military and political elite of Indonesia, but nevertheless has managed to stay a popular political figure despite both this and his implication in human rights abuses during his time in the military.

Paying for votes will no doubt remain an issue, as Indonesia is susceptible to the practice of vote-buying based on its history as a patronage society. In elections in June to select governors and district heads, 18 governors and 75 mayors were under investigation for alleged bribery and corruption. How much of an effect this has on the presidential candidates is, however, unclear.

Implications

Neither team has outlined a clear policy programme outside their vague mission statements of creating a 'sovereign and independent nation based on mutual cooperation' from the Jokowi/Ma'ruf ticket, and building an Indonesia that is 'just, prosperous, politically and economically sovereign, and culturally distinct' from the Prabowo/Sandiaga manifesto.

Economy. Based on the likely trajectory of the election rhetoric, there is an expectation that both candidates' electoral policies will be geared towards economic nationalism. However, this is not certain. Looking at Jokowi's track record, we are likely to see a similar pattern of attempting long term economic reform – such as improving infrastructure and improving the country's credit rating – whilst simultaneously implementing popular nationalistic policies such as renationalising much of the natural resource sector and taking short term protectionist moves to regulate energy price controls.

Prabowo is more protectionist in his rhetoric, but this is balanced by his running mate's more business-friendly position. We could see an incongruous mix between investment friendly policies and short-term protectionist moves, especially in industries such as energy, fuel, and food. This has the potential to spook investors and financial markets unsure of Prabowo's long-term economic plan.



Religion. There is a concern that a significant shift towards a more conservative polity in Indonesia will trouble both investors and markets as well as alienate some of Jokowi's original supporter base. This may be unfounded because firstly, Ma' ruf has recently been promoting a more centrist religious view, suggesting he will take this line further into the campaign. In a recent speech in Singapore he promoted 'Wasatiyyah Islam' or Islam tengah (centrist Islam), which promotes the characteristics of balance and tolerance. Secondly, there were similar questions regarding Jokowi's current vice president, Jusuf Kalla, before he entered into power. There were concerns over his Islamic conservatism but when in position he had limited influence over government policy, apart from championing the anti-pornography law.

Foreign Policy. Foreign policy has not played much of a role in this or other elections campaigns, beyond debating Chinese investment and foreign workers. Generally Indonesian Presidents and candidates are not foreign policy experts and oversight of this policy area is largely left to others in the government and civil service. Recently Jokowi has become more vocal in international forums over the current global trade tensions, encouraging nations to work together and forewarning of a global economic dystopia and game of thrones style 'winter' if current tensions escalate. This is indicative of Jokowi's view that Indonesia's economic fate is tied to regional and global economic performance more generally, despite the rising tones of economic nationalism seen domestically.

With the election on the horizon and no clear agenda announced by either candidate, economic issues and identity politics remain at the forefront of gaining votes.

Asia House Research and Advisory

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