

**Indonesia: The Jokowi Legacy and 2023/2024**

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Indonesia is now entering the last two years of the 10-year term in office of President Joko Widodo (commonly referred to as Jokowi). Already the country's politics are dominated by pre-electoral manoeuvrings as the various parties and political heavyweights seek to form understandings about potential alliances which might influence the 2024 elections for the presidency, the parliament, and regional offices.

The coming period will inevitably see evaluations of the Jokowi presidency and moves by the president to cement his legacy. The last two years of the presidency of Jokowi's predecessor, President Yudhoyono, were widely seen as disappointing, failing to continue or extend promised reforms in areas like the budget, human rights, developing infrastructure and combatting corruption. The signs are perhaps more promising in Jokowi's case, but the results are uneven.

Politically, Jokowi has been an extraordinary phenomenon. He came to the presidency as an outsider, not a member of the ruling cliques which have dominated much of Indonesia's history. Yet he captured public imagination, remains hugely popular, has co-opted political opponents into his cabinet, and has overwhelming support in the national parliament. He will, inevitably, enter a lame-duck period during the next two years, but shows no signs of slowing down the pace of activity. He has an agenda and means to stick with it. This is particularly the case with the economy but extends also to the international arena. Following his successful chairmanship of the G20, he now assumes the chairmanship of ASEAN with burnished foreign policy credentials and can be expected in that role to advance domestic priorities in areas like investment, digital transformation, and energy transition. He has viewed foreign policy largely through the lens of his economic priorities and, while experience has broadened that view somewhat, it remains the key, for example in assessing how he approaches the issue of equilibrium in dealing with China (whose investment funds he wants) and the United States, which is showing a growing involvement strategically and economically in Indonesia.

A businessman before entering politics, Jokowi set out from the start to pursue economic growth and business-friendly government. He did so as someone aware of the transport and other needs of the millions of small farmers and businesses familiar to him as Mayor of Solo, and against the background of assessments that growth rates of 7 percent are necessary to provide employment prospects for Indonesia's burgeoning young population. He laid particular emphasis on attracting foreign investment, promoting infrastructure development in areas like energy and transport, and improving the country's skills base, including in particular in vocational training.

Infrastructure development in practice has become a hallmark of his presidency, with major highway, airport, energy, dam, and other projects completed. Signing up to the Chinese Belt and Road initiative has seen significant Chinese involvement in infrastructure development, some of it with questionable deals and in some cases, slow progress. But foreign involvement is broad, bringing in a number of European countries, Japan, India, Korea, and Taiwan. There have also been recent reports of a \$20 billion initiative by the USA, Japan, multilateral and private banks to transition Indonesia away from dependence on coal. This appears to be an attempt to advance Jokowi's 20 percent target, which has been in place for two terms but without effect. Indonesia has had a wakeup call as its high-profile nickel and EV battery ambitions have run into a global demand for materials processed with non-fossil fuels.

A new Indonesian Investment Authority was set up in 2021 with aims including to attract foreign investment in infrastructure assets owned by inefficient and debt-ridden state-owned

enterprises. In the case of Canada, the CPDQ signed an MOU in May 2021 but has not so far invested. They have independently committed to a DP World port investment. Australian investors, by contrast, continue to appear more risk-averse, although there has been recent interest by superannuation funds in potential involvement in infrastructure development. Overall, more recent foreign investment figures show substantial increases, perhaps in part flowing from interest in the country's resource riches at a time of soaring commodity prices, and the government expects its entry into the Regional Comprehensive Economic Partnership will lead to further growth in investment inflows. Indonesia's potential to resume growth as a manufacturing centre has been aided by issues arising for companies heavily exposed to Chinese supply. Another new factor is the nascent restructuring of Indonesia's extensive and debt laden SOEs, which are undergoing rationalisation and potentially present as investor opportunity.

Jokowi shows no sign of slackening his drive to promote growth, investment, and infrastructure development. He continues to show interest in new-era business and technology opportunities offered by, for example, the country's nickel and other resource reserves and seems determined to oppose WTO rulings against Indonesia's ban on exports of unprocessed minerals.

The future of a major project, the construction of a new capital city in Kalimantan, is problematic. The project is a multi-billion-dollar exercise ostensibly aimed at moving large sections of government from Jakarta, whose infrastructure is failing. It has many critics, on feasibility, environmental and cost grounds. Jokowi appears strongly motivated in the matter, but it is unclear how committed are other senior politicians, especially those who might be potential presidential candidates, nor what the fate of the idea might be in a new presidency. But Jokowi will keep it going for the remainder of his term and may use his potential support for aspiring candidates to gain understandings of support from them. We can also expect to see politicians and oligarchs working along well-established lines to extract their own financial advantage from the expected expenditures on the new capital project.

In terms of management of the economy, recent growth figures have reached 5.7 percent, the IMF expects an overall 2022 growth figure of 5.3 percent, and the economy seems to have returned to its pre-COVID levels. Sound economic leadership from the Finance Minister and Bank of Indonesia has worked well and seems likely to continue to steer the country through issues like inflationary pressures and the effect on the Rupiah of the strengthening Dollar. But reform has not removed the worst elements of the fuel subsidy policy, which has diverted massive resources away from productive investment and crucial social spending needs in areas like health and education. The present pre-election period is highly unlikely to see movement in this area.

There has been a mixed picture in addressing major constraints to economic growth in other areas. The country's financial market remains shallow and, despite efforts to increase the country's low revenue base, this remains considerably lower than other major regional economies with whom Indonesia competes. The same is true of the country's skills base, which must grow to improve the employability of new labour market entrants and to service the desire for a strong digital economy. President Jokowi has long signalled this as an area for priority attention, but the results have been nowhere as impressive as the record in promoting infrastructure development. There are differing views about the so-called Omnibus Law designed among other things to address the serious problem of over-regulation of the economy: while the Law, now needing amendment as a result of successful constitutional challenge, accords with Jokowi's mantra on development and investment, it has been criticised for ignoring or sidelining concerns in other areas, including labour rights and the environment. Significant disincentives to investment remain in other areas, not least the

pervasiveness of corruption, including its effects in reinforcing doubts about legal certainty and the enforceability of contracts.

Some elements of life in Indonesia have gone backwards during Jokowi's presidency. Corruption has not generated remedial action from the president, whose term has seen the radical weakening of the anti-corruption commission, which had made serious inroads into previously protected corrupt elites. The Indonesian police have been under considerable pressure over high profile controversies and their reputation for blatant corruption. The past few years have also seen a resurgence of moves by oligarchs and the political elites to undo some of the provisions which have somewhat circumscribed their power since the beginning of the democratic era. Civil society groups have also been vocal about treatment of minorities, use of blasphemy laws, moves to hamper press freedoms and what appear to be divide-and-conquer tactics in creating new provinces in Papua. In the last case, there are now 6 Papuan provinces, compared with two only recently, and while there is an argument that the new arrangements make for easier administration, there is little doubt that political elites, in this case including ethnic Papuans, will find new opportunities for large-scale corruption.

The way in which Jokowi has put growth at the centre of his agenda has in practice contributed to what is arguably a less liberal democracy, with actual or threatened use of the law against protesters on issues like labour conditions and the environment. Critics have warned that recent laws banning non-Pancasila ideologies, extra-marital sex, insulting the president or staging protests without notification present a risk to civil liberties, and there has been adverse reaction from business interests too, especially the tourist industry. Serious concerns have also been expressed about the parliament's dismissal of a Constitutional Court judge on legally questionable grounds. No serious change of direction in any of these areas can be expected in the next two years.

Although the next presidential elections are almost two years away, political skirmishing has intensified in recent months. A number of considerations are central to the Wayang puppet theatrics now on show. One is the popularity of Jokowi, his desire to maintain the momentum of his own agenda, and possibly an interest in promoting his own son as a potential candidate for senior office. Another is the dynastic ambition of former president Megawati, a major powerbroker and proponent of the advancement of her almost-universally derided daughter. The electoral rules, requiring potential candidates to satisfy thresholds of parliamentary support before being nominated, also precipitate current manoeuvres between parties and individuals to form loose, and shifting, coalitions or understandings. Very little of this has anything to do with policies and the principal is on party and individual ambitions. There were only two candidates for the last presidential election, but it is theoretically possible for four to emerge, and those attracting most attention at the moment as potential front-runners are the Governor of Central Java, Ganjar Pranowo; former presidential candidate and now Defence Minister Prabowo Subianto; and former Governor of Jakarta Anies Baswedan. Alliances can be expected to form, and change, around these, and almost certainly other candidates in 2023.



### **Bill Farmer AO**

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