

Indonesia's Presidential Elections 2019

Prepared by Asia House Advisory practice

Indonesians will vote on April 17 in simultaneous elections for federal, provincial and local representatives. The Presidential election is a re-match of the 2014 campaign, with incumbent Joko Widodo (Jokowi) facing retired general and political veteran Prabowo Subianto. They have new running mates but face similar issues to last election. The big issue is the economy, with a focus on equality and the cost of living. Global trends such as identity politics, the role of social media, 'fake news' and voter apathy are also affecting the campaign. Jokowi is most likely to win based on recent polls. For the Indonesian economy this means continued attempts at structural reform and improvements in the business environment. The drive for improved infrastructure and increased foreign investment will continue, however there may be short-term protectionist policies designed to keep campaign promises on price controls. With three weeks to go until the election, the so far subdued campaign may heat up as the polls continue to tighten and the candidates vie for the remaining undecided voters.

Indonesia is the biggest and arguably the most dynamic economy in Southeast Asia, with a GDP of over a trillion dollars, a population of 264 million, diverse natural resources and solid demographics. Its trajectory since the political and economic collapse of 1998 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.

The elections on April 17, 2019 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. Jokowi remains the favourite; he is ahead in the most recent polls (although Prabowo has narrowed the gap to around 12 points) and retains his image as a down-to-earth man of the people. Jokowi is essentially running on his relatively good record in office. However, he has not delivered on key 2014 election promises on fighting corruption, reforming government institutions and significantly improving the country's creaking infrastructure. In a successful move to bolster his religious credentials and appeal to more conservative elements, he chose Ma'ruf Amin as his running partner, a traditional and conservative Muslim cleric. Although Ma'ruf has failed to impress throughout most of the campaign so far, he has improved his image in a recent vice-presidential debate.

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. Despite his traditional ties to the establishment elite, Prabowo has failed to garner the backing (financial and otherwise) from elite supporters that he has seen in the past. Whether due to this or his initial reluctance to join the presidential race, Prabowo has appeared lacklustre compared to his previous election campaigns.

What started out as a relatively uninspiring election campaign has gained momentum with a series of live debates on set issues. There are overlapping themes with Jokowi's campaign, as both are essentially populist. Apart from some specifics given in the debates, precise policy direction remains

unclear. Prabowo's running mate is Sandiaga Uno, a popular business entrepreneur and investor who retired as Jakarta's deputy governor in order to run. He also has ties to Islamic groups, including more hard-liners that campaigned for his ticket in the Jakarta gubernatorial election. Uno has economic credibility and appeals to younger voters, who make up approximately 30 percent of the electorate. Establishing himself as vital to Prabowo's campaign, Sandiaga has contributed around 73 percent of the team's campaign funds and undertaken much of the outreach campaigning.

Below we look at the main factors in the election and its potential implications.

It's the economy, bodoh¹

The economy is the central aspect of the election campaign. It is a relative weak spot for Jokowi and one that Prabowo has attacked on several fronts, including failing to meet the promised 7 percent growth target, the lack of employment opportunities, rising consumer prices and the value of the rupiah. As predicted, both sides have increased their appeals to economic nationalism in an attempt to resonate with voters, amid global trade tensions and emerging market concerns worldwide.

The rupiah fell to its lowest value in more than 20 years last year, causing fears of a new financial crisis as memories of 1998 resurfaced. The proximate causes were largely recent and external – increased US interest rates, emerging market contagion concerns caused by Turkey's Lira crisis, and US trade policy. However, a large current account deficit, caused by rising oil prices, and a high level of US dollar dominated debt are underlying structural factors.

Since the dip the government has continued to battle to maintain the value of the currency and convey that short-term falls do not reflect long-term economic prospects, especially in the context of a broader economic reform programme. While this position has been backed by institutions such as 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. Short-term economic indicators released this March have helped Jokowi's position, as the rupiah gained against the US dollar and a surprise trade surplus was recorded.

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

Prabowo has pledged not to let other nations exploit Indonesian national wealth and suggested deploying further protectionist policies to reduce reliance on food imports, a recurring theme in Indonesian public debate. He has also promised to re-implement fuel subsidies that Jokowi removed, slash corporate and individual taxes, raise wages for civil servants and introduce programs for the poor.

Foreign debt has grown 48 percent under Jokowi, largely due to spending on infrastructure plans. Prabowo has frequently criticised Jokowi's management of the public debt in general, but specifically foreign debt and foreign ownership of Indonesian resources and assets.

¹ stupid

One of Jokowi's election promises from 2014 was to vastly improve the nation's infrastructure. Despite some 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. China is Indonesia's top import and export destination by a large margin. Chinese investment into Indonesia has skyrocketed under Jokowi's leadership – from US\$600 million in 2015, to US\$3.36 billion in 2017. Just last week Jokowi's administration proposed 28 new infrastructure projects to China under the Belt and Road Initiative (BRI), hoping to go ahead with at least three. The issue is currently salient across the region, with Malaysia cancelling Chinese funded infrastructure projects and heightened rhetoric surrounding the fairness of foreign investment. Despite this,

Foreign workers are always a prominent feature of civil debate in Indonesia. Prabowo has tapped 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. Nevertheless, in an attempt to increase financial and voter support, Prabowo has made overtures to Indonesia's minorities, claiming he is a ruler for all Indonesians.

Employment has emerged as a big factor in the election. Official data shows unemployment stands at seven million, or 5 percent of the population, and underemployment is consistently high. Jokowi has promised cash handouts for the unemployed, a move that was criticised by economists and the opposition. He has also tried to highlight his job creation efforts; however the opposition claims this hasn't gone far enough. Both sides have pledged education and vocational reform in order to improve the education system and the job opportunities that follow.

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 the system from the outside. Since his first election campaign, Jokowi has faced repeated criticism over his religious credentials, a charge further exacerbated by his move to ban the radical Islamic group Hizbut Tahrir Indonesia (HTI). The groups promoting political Islam 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 vote. These hard-line Islamic groups form a large contingency of the support for Prabowo and are the reason he is ahead with the grass-roots in certain regions. This is unsurprising as Prabowo himself has strong connections to these groups and running mate Sandiaga was the running mate of Anies Baswedan.

Jokowi has largely blunted 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. Jokowi's moves to appease his opponents, as well as failed election promises on human rights and corruption, have led to increasing fears of millennials not voting or casting a blank vote, known as *golput*.

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. In a high-profile incident at the beginning of the election season, 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. The Department of Communications has debunked other fake news, such as the Gerindra party giving out free phone credit or millions of marked ballot papers being shipped in from China. The problem is persistent and the latest concern over voter lists has led to much fake (but possibly some real) news around 'ghost voters' and Chinese and Russian hackers tampering with lists. Facebook has banned foreign-paid ads and Jokowi accused Prabowo's camp of utilising Russian propaganda. The Electoral Commission has stated, however, that most hacking attempts likely originate from inside Indonesia.

Free speech is consequently 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 criticised the country's internet law as being too vague and arbitrary.

Money politics and corruption, although still notable issues, have not 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. Jokowi's failure to remedy human rights issues during his term have blunted his ability to attack Prabowo on these issues.

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 last year to select governors and district heads, 18 governors and 75 mayors were under investigation for alleged bribery and

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

corruption. How much of an effect this has on the presidential candidates is, however, unclear. Nevertheless, the emergence of Sandiaga Uno as a prominent political figure has highlighted the ability of the extremely wealthy to insert themselves into positions of political power.

Implications

According to each team's mission statements, the Jokowi/Ma'ruf ticket will create a 'sovereign and independent nation based on mutual cooperation', whilst Prabowo/Sandiaga will build an Indonesia that is 'just, prosperous, politically and economically sovereign, and culturally distinct'. Beyond slogans, more practical implications are examined below.

Economy. 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. Jokowi's cabinet has recently announced plans to become an upper-middle income country by focussing on human resources, innovation and manufacturing.

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 risk that a significant shift towards a more conservative polity in Indonesia will concern 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 would take this line into government. In a 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.

Prabowo is likely to be more tolerant of religious extremism and more nationalistic in foreign policy decisions. However, as the polls indicate Jokowi is in a strong position to win the election. Up until April 17, economic issues and identity politics will remain at the forefront of gaining votes.