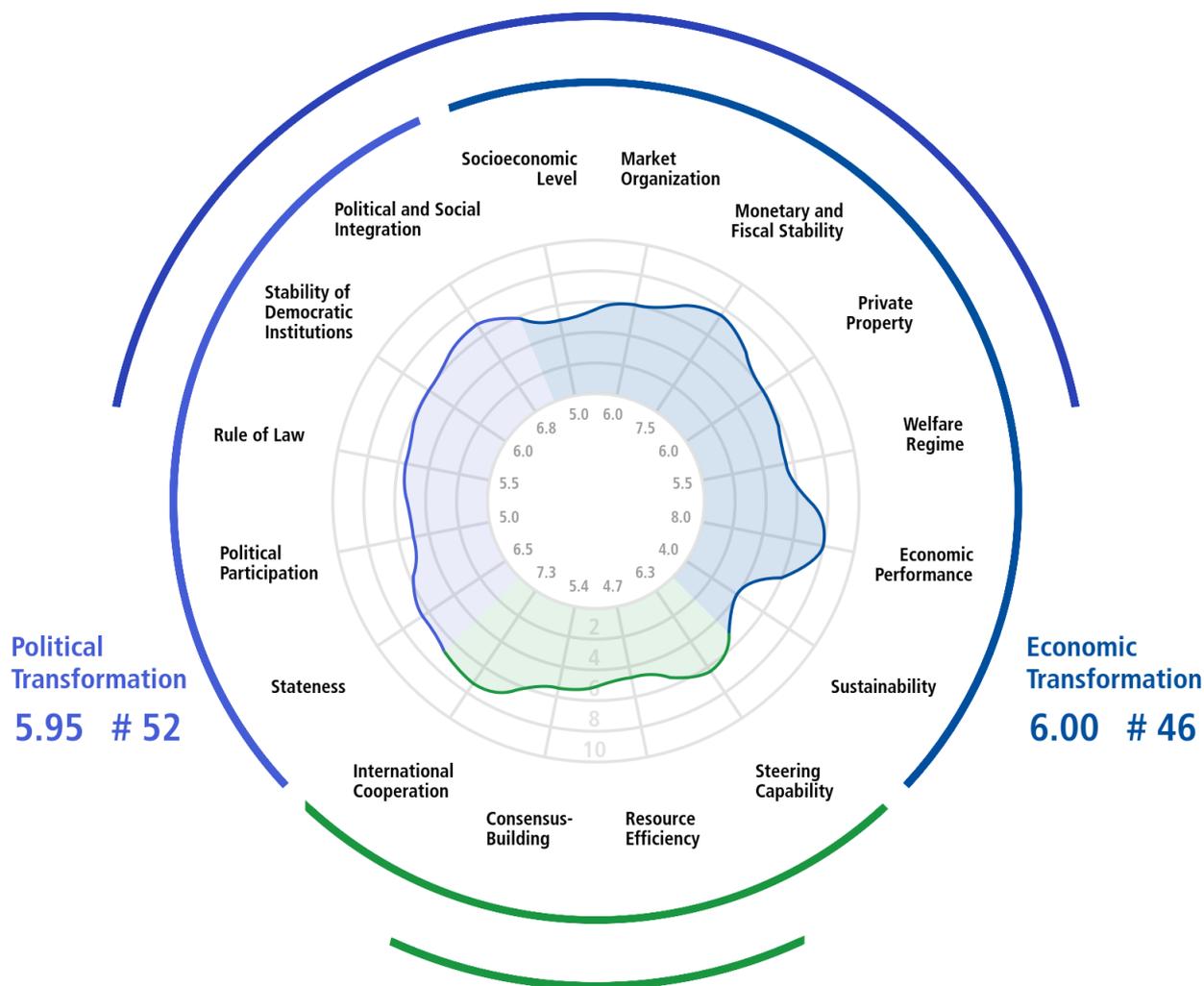


# Indonesia

## Status Index

**5.98 # 47**

on 1-10 scale out of 137



**Political Transformation**  
**5.95 # 52**

**Economic Transformation**  
**6.00 # 46**

## Governance Index

**5.27 # 43**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2026 Country Report – Indonesia. Gütersloh: Bertelsmann Stiftung, 2026.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### **Sabine Donner**

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### **Hauke Hartmann**

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### **Sebastian Plate**

Phone +49 5241 81 81263  
[sebastian.plate@bertelsmann-stiftung.de](mailto:sebastian.plate@bertelsmann-stiftung.de)

### **Sabine Steinkamp**

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>283.5</b>	HDI	<b>0.728</b>	GDP p.c., PPP \$	<b>16448</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.8</b>	HDI rank of 193	<b>113</b>	Gini Index	<b>34.9</b>
Life expectancy	years	<b>71.1</b>	UN Education Index	<b>0.660</b>	Poverty <sup>3</sup>	% <b>17.5</b>
Urban population	%	<b>59.2</b>	Gender inequality <sup>2</sup>	<b>0.423</b>	Aid per capita \$	<b>4.1</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

During the reporting period, the quality of democracy in Indonesia continued to decline. The figure bearing primary responsibility for this democratic recession was former President Joko Widodo (often referred to as Jokowi), who sought to extend his political power after serving the two five-year terms allowed by the constitution. After his proposal for another five-year presidential term met with widespread opposition, he attempted – in part successfully – to build a family dynasty based on his two sons and his brother-in-law. The centerpiece of his political manipulations was a deal with Prabowo Subianto, his rival in the 2014 and 2019 elections, to throw his personal support and that of the state apparatus behind the former military officer’s candidacy if Prabowo accepted Jokowi’s inexperienced son Gibran Rakabuming Raka as his vice-presidential candidate.

Jokowi then bent constitutional rules to pave the way for building political dynasty when the Constitutional Court controversially cleared the way for his eldest son to run as Prabowo’s running mate even though he did not meet the minimum age requirement of 40. The court’s then-chief justice, Anwar Usman, who is also Jokowi’s brother-in-law, was later found guilty of an ethics violation for failing to recuse himself from the case. He was demoted from the court’s top post in November 2023, and the demotion was upheld. The 2024 presidential election was widely described as the most unfair and rigged since the end of the authoritarian New Order in 1998. The Prabowo-Gibran ticket received massive support from the state apparatus, most local governments, most media, and the army and police. In addition, large amounts of state money (disguised as “social aid”) were distributed among poorer voters.

Jokowi’s efforts to sway the election brought Indonesia to the brink of “competitive authoritarianism” within a system that increasingly resembles the authoritarian New Order. One feature is that the new government was supported by seven of the eight political parties represented in parliament; those parties were rewarded with ministerial posts for not being in opposition. Another is that the country has, in recent years, witnessed the weakening of democratic institutions and a narrowing of space for civic participation amid rushed and secretive legislative activity.

The most obvious resemblance to the New Order is the return of high-ranking members of the armed forces. The country's new president, Prabowo Subianto – one of the country's most prominent former generals – built his career as the husband of former strongman Suharto's daughter. In various statements, he has made clear that he does not support a liberal democratic order. Under Prabowo, an increasing number of military personnel have entered high political positions, and this trend is likely to continue in the coming years.

Among the more positive political developments during the period under review were the absence of massive human rights violations and – except for unrest in the Papua provinces – the general conditions of political stability and reduced political polarization. Radical, violent and intolerant Islamism was also largely absent from public discourse during the period, marking a significant break with the past.

Economically, Indonesia's GDP growth rate has returned to pre-pandemic levels, and stable growth of around 5% is expected in the near future. Commodity exports to countries such as India and China are booming. The Indonesian government has made some efforts toward “downstreaming” – that is, developing an industrial sector that processes raw materials into higher-value products or finished goods before they are exported. This is a sound strategy, but more investment is needed before the desired effects can be fully realized.

Despite these relatively positive economic trends, Indonesia grapples with several structural weaknesses. These include an underperforming education system, inadequate environmental protection policies and widespread corruption. The ongoing establishment of a public welfare state system through the Badan Penyelenggara Jaminan Sosial Kesehatan (BPJS), or the Social Health Insurance Agency, is a positive step, given the large number of people with low incomes and poor living standards.

In conclusion, while Indonesia has made economic progress, it has also experienced a serious decline in various aspects of liberal democracy. Former President Joko Widodo's personal ambition to build a family dynasty has weakened democracy in many ways. His promotion and support of Prabowo Subianto as his successor – a New Order army general with a poor human rights record and little respect for democracy – did not advance democratic development in Indonesia. Therefore, the next few years are likely to see a revival of the armed forces' political role.

## History and Characteristics of Transformation

Indonesia declared its independence on August 17, 1945, but faced years of military and diplomatic struggle until the former colonial power, the Kingdom of the Netherlands, recognized the new republic. From 1966 to May 1998, Indonesia experienced a period of authoritarian rule led by General Suharto. This regime was supported by the armed forces, an extensive state bureaucracy and the quasi-state party Golkar. Suharto's economic policies, which drew on the influence of business associates and family members, transformed the nation from an impoverished developing country into a lower-middle-income one. During this time, Indonesia

welcomed Western capital and developed significant trade relationships with the United States, Japan and other Western countries, particularly from the early 1970s onward. Initially, the government prioritized a labor-intensive industrialization while tightly controlling the labor movement, resulting in rapid industrial growth at the expense of human rights and democracy. Throughout the New Order era, economic development took precedence over the establishment of democratic political institutions. This trend, in which state authorities played a dominant role in the development process, was observed in other East and Southeast Asian countries as well as Indonesia.

Significant change began with the Asian financial crisis of 1997/98. Mass demonstrations spearheaded by student organizations protested the economic hardships faced by ordinary citizens and the abuses of power by the Suharto administration. Simultaneously, numerous former allies of Suharto defected from the government, including leaders in the armed forces who aligned with the opposition. Faced with mounting pressure, Suharto resigned in May 1998, handing the presidency to his chosen vice president, Bacharuddin Jusuf Habibie. Habibie engaged in negotiations with moderate opposition figures that culminated in an unwritten elite pact. This process of democratization thus involved former regime members and opposition elites and led to the repeal of pivotal political laws, constitutional amendments and the admission of new political parties.

In June 1999, the first parliamentary elections were held with minimal irregularities, producing an almost completely revamped parliament. Abdurrahman Wahid was elected president by the People's Assembly (Majelis Permusyawaratan Rakyat, MPR) in October 1999. Wahid's confrontations with parliament resulted in his impeachment by the MPR in July 2001, and he was replaced by former Vice President Megawati Sukarnoputri. In 2004, Indonesia held new parliamentary elections along with its inaugural direct presidential election. Retired General Susilo Bambang Yudhoyono (SBY) defeated incumbent President Megawati. Under the Yudhoyono administration, the political landscape further stabilized, largely due to his nonconfrontational and inclusive governing approach. In the 2009 presidential elections, SBY secured re-election with a landslide victory, maintaining steady governance policies.

Elected in 2014 and serving through 2024, Joko Widodo – often called Jokowi – became Indonesia's seventh president. He hailed from humble origins, having no ties to the political elite, and his election heralded a new era of clean politics and an end to abuse of power and cronyism. However, these aspirations waned as key military figures and traditional party politicians ultimately gained ministerial roles and political influence.

Economically, Indonesia saw significant macroeconomic progress after Suharto's authoritarian regime ended in 1998. The country restructured its banking sector and substantially reduced its public debt until 2010. Most influential state-owned enterprises, particularly in the commodity sector, remained in state hands and retained a crucial economic role. From about 2005 until the beginning of the COVID-19 pandemic in early 2020, Indonesia maintained solid annual economic growth rates of 4% to 6%. After the pandemic, Indonesia's remarkable economic growth continued.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The Indonesian state's monopoly on the use of force is generally accepted. Only a few groups continue to fundamentally challenge it, and their influence is weakening. In the province of Aceh, where separatist rebels challenged the state's authority between the 1970s and the mid-2000s, a 2005 peace agreement remains in place and is stable. Papuan guerrilla fighters continue to oppose the Indonesian state, but their forces are small and they exercise territorial control only over small areas in remote highland regions. In recent years, there have been several armed clashes between separatists and the national army in these regions.

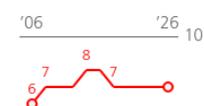
The territorial influence of ultraconservative Islamist groups seeking to establish a religious state in Indonesia has been reduced in recent years. In some areas, particularly in remote and resource-rich regions, there are still mafia-style gangs that have close connections to local police and the military and are not under the direct control of the national government.

A large majority of Indonesians support the existing form of the state, but there are tensions between the idea of a nation-state based on the multireligious Pancasila state ideology and the notion of Islam's supremacy. In a March 2024 survey by the Pew Research Center, an overwhelming majority of Muslims (86%) said it is very important to be Muslim to be truly Indonesian. Despite this high degree of Islamization, none of the many religious and other minorities (for example, Ahmadis, Shi'ites, native-faith followers, LGBTQ+ citizens and ethnic Chinese) has been denied citizenship rights. Indeed, for many minorities (including ethnic Chinese, who faced problems securing citizenship under the pre-1998 autocratic regime), the primary concern in this regard is no longer with obtaining citizenship, but rather with the discrimination they face despite being citizens.

Question  
Score

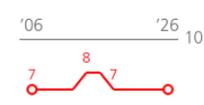
Monopoly on the  
use of force

7



State identity

7



Indonesia has one of the most religious populations in the world. In a July 2020 Pew Research Center poll, nearly all Indonesian respondents (96%) said belief in God was necessary to be moral and to have good values. It is no surprise that religion plays an important role in politics. Given that 87% of its population is Muslim, Indonesia has traditionally struggled to maintain a balance between promoting Islamic values and the constitution's pluralist character.

In recent years, Islamic conservatives have increased their influence over political and legal institutions. For example, the country's revised criminal code, which takes effect in January 2026, was influenced by conservative Muslim positions. Under the new laws, consensual sex between unmarried people and non-marital cohabitation are now punishable by prison terms.

The constitutional right to freedom of religion has also been undermined by a high number of prison sentences for alleged blasphemy. In August 2023, Islamic boarding school leader Panji Gumilang was arrested on charges including blasphemy and hate speech after his Islamic boarding school provoked protests by allowing women to preach and pray beside men. The 77-year-old was later sentenced to one year in jail. Blasphemy charges refer not only to the tenets of Islam, but to other religions as well. In January 2025, for example, Ratu Thalisa, a transgender social media celebrity in her home city of Medan, was arrested after she held up an image depicting Jesus Christ on her phone during a livestream. Usman Hamid, the head of Amnesty Indonesia, said the organization recorded 120 legal cases involving blasphemy across Indonesia between March 2018 and June 2024.

The state's fundamental infrastructure extends throughout the country. Far-reaching, effective decentralization in the early 2000s has vastly increased the reach of the Indonesian bureaucracy. As noted in the "Monopoly on the use of force" section, local clans and other groups can in some cases prevent the state apparatus from fulfilling basic state functions. Therefore, Indonesia has weaknesses in the areas of tax collection and law enforcement. Communication, transportation and basic infrastructure (water, education and health care) are available almost everywhere in the vast archipelago, but the quality of administrative services is often low, particularly outside the main island of Java. According to the Indonesian Statistics Agency (BPS), more than 99% of people had access to electricity as of March 2024. However, the share of people with access to electricity is significantly lower in Papua Tengah province (56.1%) and Papua Pegunungan province (73.7%).

According to BPS data from December 2024, 92.6% of Indonesian households had access to safe drinking water and 83.6% had access to basic sanitation. Again, there are significant differences between more developed islands, such as Java, and the eastern regions, particularly the Papua provinces. However, probably due to different definitions, these data from the Indonesian government stand in stark contrast to data from the World Bank, which estimated that just 30.3% of the population had access to safely managed drinking water in 2022.

No interference of religious dogmas

5

'06 '26 10



1

Basic administration

7

'06 '26 10



1

## 2 | Political Participation

Every five years, Indonesians go to the polls to elect the president, members of the House of Representatives and the Regional Representative Council, and members of provincial and district-level parliaments. They also elect governors, mayors, district leaders and village heads. Direct ballots for president, governors, mayors and district heads can result in runoffs.

In general, the elections can still be considered free and competitive. Nevertheless, there are several weaknesses. The number of presidential candidates is severely limited. First, candidates can be nominated only by political parties (more precisely, by the leaders of those parties) represented in the national parliament. Second, the nomination threshold is high (parties must have drawn 20% of the vote or 25% of the seats in the legislative elections five years ago). This led to a remarkable situation in which only two candidates were allowed to compete in the 2014 and 2019 presidential elections, and only three in the 2024 presidential elections. In January 2025, the Constitutional Court surprisingly decided that, in future presidential elections, the thresholds would be abolished in order to increase competition and reduce the dominance of larger parties.

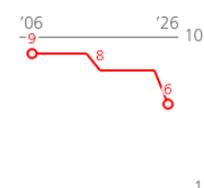
In elections at both the national and local levels, incumbents exploit their positions to mobilize support and resources, often making it impossible to establish a level playing field. However, in no previous presidential election has an incumbent president abused administrative powers as strikingly as did Joko Widodo in 2024, when he openly supported the candidacy of Prabowo Subianto and running mate Gibran Rakabuming Raka, the outgoing president's son.

The latter was allowed to run for vice president only after a dubious, last-minute Constitutional Court decision lowered the age limit for candidates. The Constitutional Court commission was headed by Judge Anwar Usman, Joko Widodo's brother-in-law and Gibran's uncle. In addition, large sums from state coffers were mobilized to support the Prabowo-Gibran campaign, with the disbursement mostly declared as social aid (*bantuan sosial*) for poorer segments of the population. Local government staffers and military and police units were also pressured to support the Prabowo-Gibran campaign. Independent observers reported that vote-buying seemed rampant in the 2024 presidential election.

Elections are managed by the national election commission, the Komisi Pemilihan Umum (KPU). Votes are counted at tens of thousands of local polling stations and then submitted to KPU headquarters for verification. Critics argue that in the 2024 elections, Joko Widodo ensured that the KPU leadership supported the Prabowo-Gibran campaign by significantly increasing their salaries and extending their terms of office shortly before the election date. The two losing candidates, Anies Baswedan and Ganjar Pranowo, complained about electoral irregularities, but the Constitutional Court found no major irregularities. In the end, the two losing presidential candidates had to accept their electoral defeat.

Free and fair elections

6



In principle, elected leaders have the power to govern without restraint. However, informal veto players remain sufficiently powerful to restrain executive action. Most notably, the armed forces maintain the right to intervene in the elected government if they believe there is a threat to the unity and stability of the Indonesian nation.

Against this backdrop, the fact that the country's new president is a proud former army general has raised eyebrows. Moreover, during the final years of the Jokowi administration and the first year of the Prabowo administration, a relatively high number of retired members of the armed forces (such as Luhut Binsar Pandjaitan, Wiranto, Agus Harimurti Yudhoyono, Sjafrie Sjamsoeddin, etc.) and the police (Budi Gunawan, Tito Karnavian, Agus Andrianto, etc.) have been appointed to key government positions, thereby extending the political influence of the military and police. In its later period, the Jokowi administration also became increasingly supportive of the military's aspiration to assume non-defense responsibilities. President Prabowo has continued this trend, beginning his term with a three-day cabinet retreat at the Army Academy in Magelang, Central Java. President Prabowo said this "boot camp" was intended to instill discipline and unity. He also announced the establishment of 22 regional military commands (Kodam) to reinforce the existing 15. Enhancing the structure of the National Armed Forces (TNI) through the formation of new military commands and integrating them into local governance tasks risks blurring the lines between military and civilian functions. The history of the authoritarian New Order in terms of the military's political involvement is a clear reminder of the dangers of such practices.

As in many other countries, powerful oligarchic business groups wield significant influence over national political decision-makers. In many cases, there is a gray zone between politicians with business interests and businesspeople with political ambitions. Figures such as Erick Thohir (State-Owned Enterprises Minister) and mining tycoon Haji Isam (four of whose close staff members became ministers of the Prabowo administration) exert significant influence over political processes.

In most parts of Indonesia (with the notable exception of the Papua provinces), the freedoms of association and assembly are generally upheld. The activities of civil society groups show that these rights are widely exercised by Indonesians. Frequent demonstrations outside local and national department buildings and parliaments are a common feature of daily life in Indonesia.

However, minority religious and social groups, such as Ahmadis, Shi'ites or LGBTQ+ citizens, enjoy only very limited protection for their rights of assembly and association. Their meetings are often disbanded and their members assaulted, both by law enforcement agencies and other societal groups such as conservative Islamic organizations. The powers of the latter, however, were significantly reduced when the government banned Hizbut Tahrir Indonesia in 2017 and the Islamic Defenders Front (FPI) in late 2020.

Effective power to govern

5

'06 '26 10



1

Association / assembly rights

5

'06 '26 10



1

The amended criminal code, passed in December 2022, adds a new regulation that makes it riskier to organize a demonstration. After the code takes effect in 2026, if a demonstration turns violent (even if this violence is provoked by security enforcement groups such as the police), organizers can be sentenced to prison terms.

The law also prohibits demonstrations without police-issued permits. However, the criteria for issuing such permits are not clearly explained. In general, there is a lack of transparent and non-discriminatory criteria for evaluating assembly permit requests.

After the authoritarian Suharto regime ended in 1998, Indonesia enjoyed a relatively high degree of free expression compared with other states in Southeast Asia. Over the past decade, however, a series of restrictions on private speech and media freedom has greatly reduced freedom of expression. Nevertheless, the media system's structure still allows a plurality of opinions.

In Reporters Without Borders' 2024 World Press Freedom Index, Indonesia was ranked 111th out of 180 countries. Journalists investigating local corruption are often subjected to intimidation, in some cases including arrest or physical violence, by police and TNI soldiers. This results in a high level of self-censorship. At the same time, covering environmental issues has become increasingly dangerous when those issues affect major private sector interests backed by local governments.

Critical journalists are exposed to the so-called Electronic Information and Transactions (ITE) law, under which they can be jailed for up to six years for defamation or hate speech online, although these offenses are not clearly defined. In November 2021, for example, a court in Palopo sentenced Muhammad Asrul to three months in jail for criminal defamation online.

In September 2023, two high-profile human rights defenders, Haris Azhar and Fatia Maulidiyanti, were indicted for allegedly defaming a senior cabinet member, Army General Luhut Binsar Pandjaitan, in a YouTube video that highlighted controversial mining activities and the growing military presence in the central highlands of Papua. They were charged under the ITE Law. Prosecutors demanded that Haris Azhar be sentenced to four years in prison and that Fatia Maulidiyanti be sentenced to three years and six months in prison, but both were acquitted by the East Jakarta District Court in January 2024.

Ordinary citizens are also threatened by blasphemy laws, which make it hard to criticize religious leaders and organizations (see "No interference of religious dogmas"). Another blow to freedom of expression was the amended criminal code passed in 2022, which mandates that any person who attacks the personal dignity and honor of the sitting president or vice president can be punished with a sentence of three and a half years in prison. Such regulations are clearly authoritarian and had already been ruled unconstitutional by the Constitutional Court in 2006. At that point,

Freedom of  
expression

4



the court decided that the article on insulting the president was outdated and no longer in line with Indonesian democracy. However, the 2022 amended criminal code not only retains provisions criminalizing expressions of support for “Communist/Marxist-Leninist” thought but also bans the expression of “ideas that contradict the state ideology Pancasila.” Such vague wording leaves many loopholes for the malevolent suppression of freedom of expression.

Indonesia has a Freedom of Public Information Act (Undang-Undang Kebebasan Informasi Publik), adopted in 2008 and implemented in 2010. The law requires all public bodies and government institutions to provide citizens with information about almost every aspect of their operations. In practice, however, there are limitations, and many government institutions still refuse to provide information to the public.

### 3 | Rule of Law

Nominally, Indonesia has an effective separation of powers. Following the democratic transformation, parliament and the judiciary freed themselves from what had been an overly strong presidency. Post-Suharto presidents have tried to neutralize parliament’s power by building oversized legislative coalitions. This includes the current parliament, elected in February 2024, in which seven of eight factions support the Prabowo administration and have provided members for the cabinet. The only faction that did not join was the Indonesia Democratic Party-Struggle (PDI-P), which was also invited. However, top-level PDI-P elites subsequently publicly declared their party’s support for the Prabowo administration, but without joining the cabinet coalition, underscoring the absence of an opposition in Indonesian politics. As there are virtually no opposition parties, parliament’s overall willingness to scrutinize the executive has diminished notably.

The judiciary is formally independent of the government. However, recent cases have raised doubts about the separation of powers between the executive and judicial branches of government (see “Independent judiciary”).

Indonesia’s judiciary has two main top-level branches: the Constitutional Court, which has the authority to review and alter existing laws, and the Supreme Court, which has the authority to interpret laws. The credibility of the Constitutional Court dropped significantly after a questionable October 2023 decision allowing the president’s son, Gibran Rakabuming Raka, to run as a vice-presidential candidate even though he was younger than the constitutionally required minimum age of 40. The chief justice responsible for the decision was Anwar Usman, who is the president’s brother-in-law and Gibran’s uncle. A few weeks later, the Ethics Council of the Constitutional Court ordered his removal from his leadership post and banned him from participating in electoral matters. He was found guilty of a “serious ethical breach” for using his position to pave the way for Gibran’s candidacy. However, the dubious decision remained in effect.

Separation of powers

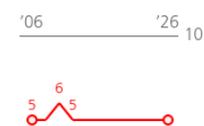
7



1

Independent judiciary

5



1

However, three other recent decisions by the Constitutional Court ran counter to the interests of the Jokowi and Prabowo administrations and served to buttress the country's democracy. In mid-2024 and January 2025, the Constitutional Court issued a ruling ordering that the thresholds for candidacies in local elections and later in the upcoming presidential elections be lowered. In August 2024, under new Chief Justice Suhartoyo, the Court rejected a petition to change the minimum age limit for candidates in regional elections. This potentially stopped President Jokowi's other son, then-29-year-old Kaesang Pangarep, from running for deputy governor of Central Java in 2024.

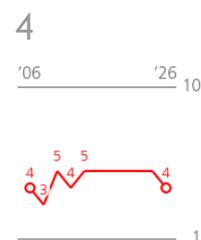
Many Indonesian judges are involved in corrupt practices. Bribes can influence judicial proceedings at all levels, from police investigations and prosecutions by the Attorney General's Office to court rulings and appeals. High-ranking judges continued to be arrested for corruption during the review period. The most high-profile case in 2024 involved three judges (Erintuah Damanik, Mangapul and Heru Hanindyo) who acquitted Ronald Tannur, the son of a former member of parliament, of all charges of murdering his girlfriend and ordered his immediate release in July 2024. Later, in November 2024, the three judges and former Supreme Court official Zarof Ricar were arrested on corruption charges. Cash worth more than IDR 1 trillion (approximately \$63.86 million) was discovered in the homes of the defendants.

Corruption and abuses of power remain widespread in Indonesia. However, Indonesia holds a relatively high number of officeholders accountable for their criminal activities. Despite its relatively low funding, the Indonesian Anti-Corruption Commission (KPK) often succeeds in arresting and convicting high-ranking government officials, parliamentarians, ministers, governors and judges. In July 2024, for example, former Agriculture Minister Syahrul Yasin Limpo was sentenced to 10 years in prison on graft charges.

Because of its success and popularity, the KPK has faced significant resistance from the political elite and from other law enforcement agencies, such as the police. With the support of the Jokowi administration, parliament amended the KPK Law so that it could determine the KPK leadership board and appoint figures considered friendly and unthreatening. The current KPK chair, Firli Bahuri, hails from the National Police, and has shielded that institution from corruption investigations.

According to an assessment by Transparency International Indonesia in July 2024, KPK's performance declined significantly after the revision to the law, with most of the 50 indicators across six measurement dimensions showing a significant drop. In recent years, KPK was also abused as an instrument of the government to pressure opposition politicians. The accusations leveled against PDI-P secretary Hasto Kristiyanto in late 2024 are a case in point.

Prosecution of  
office abuse



The degree to which abuse of office is prosecuted has clearly declined in recent years. In December 2024, President Prabowo Subianto suggested that corrupt officials could be pardoned if they returned what they stole. This controversial statement found much support among his cabinet members, and Coordinating Minister of Justice Yusril Mahendra called the idea a “legal breakthrough.”

The protection of civil rights has remained volatile in recent years. Followers of non-mainstream religious groups, left-wing activists and Papuan pro-independence campaigners continue to experience severe civil rights violations by both the state and other members of society. There is also systematic discrimination based on sexual orientation, which is reflected in government regulations that ban public activities by LGBTQ+ organizations. Gender-based discrimination usually takes the form of public pressure by conservative Islamic organizations against women’s activities; these organizations denounce feminism as a foreign Western concept incompatible with Islamic values.

In 2024, as in 2022, the Civicus Monitor, a global research collaboration that tracks fundamental freedoms in 196 countries, gave Indonesia a rating of “obstructed,” referring to the country’s civic space. However, its score, along with that of neighboring Malaysia, was nevertheless among the best seen within Southeast Asia, and higher than the ratings given to countries such as the Philippines or Thailand (“repressed”).

Some recent cases illustrate the fragile situation of civil liberties in Indonesia. In May 2024, police and military intelligence harassed an event in Denpasar, Bali, being hosted by the People’s Water Forum (PWF), a civil society coordinating platform for water justice movements around the world. The gathering was being held as a parallel to the World Water Forum (WWF). Because the organizers did not want to cancel their event, paid local thugs violently disrupted the meeting.

In March 2024, Sorbatua Siallagan, an Indigenous leader on Sumatra, was abducted and taken to a police jail in Medan, 160 kilometers away. He was interrogated without a lawyer present, accused of “illegal activities” and later released. In September 2023, military units violently expelled about 7,500 native people from Rempang island in Riau province and resettled them on a nearby island after the government sold the land to a private investor without asking the local population.

The amended criminal code, which will take effect in January 2026, severely limits civil liberties. Articles 411 to 413 of the code outlaw domestic-partner relationships and cohabitation by unmarried couples. These regulations represent an invasion of personal space by law enforcement, although the law itself states that action will be taken only if a report is filed by family members. Human Rights Watch states that the law criminalizing consensual sex outside marriage is a full-scale assault on the right to privacy, permitting intrusions into the most intimate decisions of individuals and families.

#### Civil rights

6



#### 4 | Stability of Democratic Institutions

In recent years, there has been little friction among Indonesia's democratic institutions. In line with the ideals of a consensus democracy, smooth cooperation between the executive and legislative branches of government stabilizes the political system as a whole. This comes, of course, with the disadvantage of reduced horizontal accountability.

Structural problems among ministries at the national level are a concern. Because of a lack of coordination and cooperation among them, the national government often fails to act as a coherent entity, leading to conflicting regulations and policies across ministries.

The current cabinet of President Prabowo Subianto is the largest in Indonesian history, comprised of 48 ministers, 56 deputy ministers and five heads of ministerial-level agencies. It features a mix of his loyalists and appointees from his predecessor's administration. This bloated cabinet was made possible only after the House of Representatives, on short notice, removed the 34-minister limit previously mandated by the 2008 State Ministers Law. A series of missteps and a lack of coordination among cabinet officials occurred in the first months of the Prabowo administration, leading to frequent discussions of a possible reshuffle.

At the local level, the effectiveness of democratic institutions – especially local government heads and parliament – varies widely. While in some areas they are moderately effective, in others (particularly in rural, less-developed and resource-rich areas) they are hampered by corruption and incapacity.

Most relevant actors view the government and other democratic institutions as legitimate. In a Pew Research Center survey published in February 2024, 61% of Indonesians said they were satisfied with how democracy was working in their country, while 35% said they were not. Government bodies and the judiciary are generally recognized as legitimate by the population. No major political party, association, interest group or civic organization directly campaigns against existing democratic institutions.

Only a small group of Muslim hard-liners is openly opposed to the democratic order. They reject the Pancasila ideology and dream of an Islamic Khalifah state.

In response to anti-democratic Islamic hard-liners, the Indonesian government recently banned several Islamist organizations that had openly questioned its legitimacy (Hizbut Tahrir Indonesia in 2017, Islamic Defenders Front in 2020). This did not reduce the number of Islamist activists who view the government as illegitimate; it simply drove them underground. It is plausible that their perception of the government as illegitimate has hardened as a result of their organizations being banned. However, it should be noted that during the review period, Islamic hard-line positions had little visibility in the public discourse in Indonesia.

Performance of democratic institutions

6

'06 '26 10



1

Commitment to democratic institutions

6

'06 '26 10



1

## 5 | Political and Social Integration

In contrast to other political systems in Southeast Asia, political parties play a very important role in Indonesian politics. This is in large part due to constitutional and legal provisions such as the right of political parties to determine presidential candidates and the proportional election system.

Indonesia's formal party system is highly stable, with voter volatility considerably lower than in many other democracies worldwide. In the 2024 elections, eight of the nine parliamentary parties from the previous period were re-elected to the legislature, and none of the new parties gained seats. Even the vote shares going to the parties have not changed greatly over the last 15 years. This nominal stability within the current Indonesian party system is due to many parties being anchored in specific religiopolitical constituencies along with the long-term persistence of key actors and their catch-all presidentialist parties (for example, Yudhoyono's Democratic Party or Prabowo's Great Indonesia Movement).

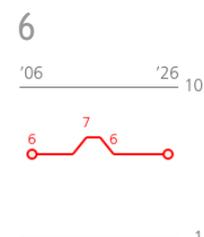
Several new parties campaigned to enter parliament in 2024, but the 4% vote threshold was too high a hurdle for all of them. This means that in the 2024 elections, about 17.3 million votes (11.4%) went to political parties that did not win a single seat because of the electoral threshold, which is a high number.

Because of prevailing patron-client societal structures in Indonesia, clientelism is very pronounced in the country's political parties. The endorsement of incumbent President Joko Widodo was a decisive factor in Prabowo Subianto's win in the 2024 elections. Overall, the 2024 presidential elections were less polarizing than the elections in 2014 and 2019. One major reason was that three, not just two, candidates were allowed to run. This helped avoid a split between the nationalist and Islamic camps.

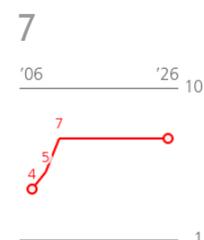
Indonesia has a wide variety of interest groups that reflect competing societal interests. These include Islamic organizations such as Nahdlatul Ulama and Muhammadiyah, which are among the largest Muslim groups in the world; hundreds of labor unions, many of them highly influential; grassroots groups; women's rights associations; church networks; human rights NGOs; agrarian organizations; think tanks; mass media organizations; and many more associations that mediate between society and political parties at the national and local levels.

Overall, however, non-state societal groups struggle to serve as an effective counterweight to the rising influence of oligarchic business interests represented by organizations such as the Indonesia Employers Association (APINDO) and the Indonesian Chamber of Commerce (KADIN).

Party system



Interest groups



In general, the degree of cooperation among interest groups is relatively high. On environmental issues, for example, conservative Muslim interest groups have no problem collaborating with left-leaning NGOs.

Formally, most Indonesian citizens strongly support democracy. In early February 2024, according to the Indonesian Survey Institute (LSI), 71.8% of the public was satisfied with the performance of democracy in Indonesia. Despite his increasingly undemocratic leadership style, former President Joko Widodo remained popular until the end of his presidency. Nevertheless, a large majority of Indonesians (64%) said in a representative March 2022 survey by the Indonesian Survey Institute (LSI) that Joko Widodo should not be allowed to run for a (constitutionally forbidden) third term in office.

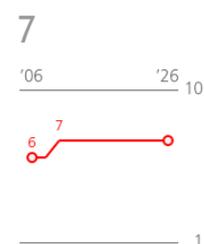
In a representative survey published in January 2024, 89% of respondents indicated that they trusted the military, 88% the president, 71% the Constitutional Court, 65% the national parliament and 64% the political parties.

However, most Indonesians – politicians and the general public alike – have an electoral rather than liberal conception of democracy. As a result, clear authoritarian tendencies, such as reductions in civil rights or the rise of strong military leaders, are seen as compatible with democracy. This helps explain the high levels of support for autocrats such as Saudi Arabian Crown Prince Mohammed bin Salman and Russian President Vladimir Putin in a 2021 Lowy Institute survey.

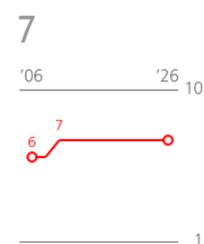
Indonesia has a widespread and heterogeneous network of autonomous, self-organized groups, associations and organizations. As in other Southeast Asian societies, many elements of social capital such as mutual networks, trust among people, informal societal structures and volunteerism are widespread in Indonesia. Citizens are integrated into a large web of religious, social, ethnic and issue-based organizations that operate at both the national and local levels. In addition, a national survey (Social Capital Statistics, Statistik Modal Sosial) conducted by the Indonesian Statistics Agency (BPS) in 2022 indicated that more than 75% of respondents trust their neighbors.

Nahdlatul Ulama and Muhammadiyah, two moderate Muslim mass organizations each with an official membership count of more than 100 million, are of particular importance and play major roles in education and public welfare. However, the prevalence of networks of social interaction does not automatically translate into collective trust among citizens. In general, social networks that forge bonds among similar people and bridge differences among diverse people contribute to the functioning of Indonesia's diverse and multiethnic society. In the period from 2023 to 2025, social associations helped keep the number of violent ethnic and religious conflicts relatively low compared with previous periods (with the exception of Papua).

#### Approval of democracy



#### Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

In recent decades, Indonesia has seen a significant reduction in poverty rates, particularly in urban areas and in the western parts of the country. As in many other countries worldwide, the COVID-19 pandemic temporarily stalled economic development and poverty alleviation efforts in Indonesia, but both could recover strongly. According to BPS data, the official national poverty rate declined from 9.8% in September 2020 to 9.0% in March 2024.

Poverty rates are particularly high in the Papua provinces (for example, 33.0% in Papua Pegunungan, whereas only 4.3% of people in Jakarta live in poverty) and in other parts of eastern Indonesia, such as the Nusa Tenggara Timur (NTT) province. There are no official data on the ethnic and religious distribution of poverty in Indonesia, but non-Javanese Muslims seem more likely than average to experience poverty, whereas other religious groups (except those living in Papua and NTT) are less affected.

Patterns of inequality did not change significantly during the COVID-19 pandemic, as the Gini coefficient of income inequality rose only slightly from 0.380 just before the COVID-19 outbreak to 0.381 in September 2022 (BPS). In March 2024, Indonesia's expenditure inequality rate, as measured by the Gini ratio, was 0.379. The figure decreased by 0.009 points compared with March 2023.

On the 2022 U.N. Human Development Index, Indonesia was ranked 112th out of 193 countries, just ahead of the Philippines, Botswana and Jamaica, at the bottom of the second-highest development category, "high human development."

This represents a slight decrease compared to 2020, when Indonesia was ranked 107th out of 189 countries.

Question  
Score

Socioeconomic  
barriers

5

'06 '26 10



1

<b>Economic indicators</b>		2021	2022	2023	<b>2024</b>
<b>GDP</b>	\$ M	1186509.7	1319101.2	1371169.3	<b>1396300.1</b>
<b>GDP growth</b>	%	3.7	5.3	5.0	<b>5.0</b>
<b>Inflation (CPI)</b>	%	1.6	4.2	3.7	<b>2.2</b>
<b>Unemployment</b>	%	3.8	3.5	3.3	<b>3.3</b>
<b>Foreign direct investment</b>	% of GDP	1.8	1.9	1.6	<b>1.7</b>
<b>Export growth</b>	%	18.0	16.2	1.3	<b>6.5</b>
<b>Import growth</b>	%	24.9	15.0	-1.6	<b>7.9</b>
<b>Current account balance</b>	\$ M	3510.7	13215.1	-2041.7	<b>-8681.0</b>
<b>Public debt</b>	% of GDP	41.1	40.1	39.6	<b>40.2</b>
<b>External debt</b>	\$ M	417868.2	396032.2	406054.4	-
<b>Total debt service</b>	\$ M	66471.8	75408.1	58431.9	-
<b>Net lending/borrowing</b>	% of GDP	-	-	-	-
<b>Tax revenue</b>	% of GDP	-	-	-	-
<b>Government consumption</b>	% of GDP	9.2	7.7	7.5	<b>7.7</b>
<b>Public education spending</b>	% of GDP	1.0	0.9	1.3	-
<b>Public health spending</b>	% of GDP	2.2	1.4	-	-
<b>R&amp;D expenditure</b>	% of GDP	-	-	-	-
<b>Military expenditure</b>	% of GDP	0.7	0.8	0.7	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Given the dominance of state-owned enterprises, market participants in Indonesia face unequal opportunities. A large number of licenses and permits must be obtained from the bureaucracy in order to enter markets. Foreign investors face particular discrimination and must, more or less openly, pay bribes to the government and bureaucracy.

President Prabowo Subianto made no move to revive the so-called omnibus law (Law on Job Creation), which predecessor Joko Widodo had introduced to make foreign investment more attractive. On the contrary, Prabowo's economic vision is still heavily influenced by the anti-liberal, nationalist and protectionist policies of Indonesia's first president, Sukarno (1945 – 1966). These views are widely shared among ministries, local governments and most economic experts.

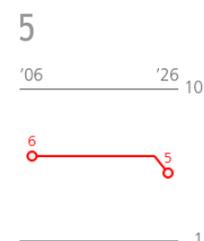
Consequently, discrimination against foreign ownership and overly complex administrative hurdles continue to hinder foreign investment. In addition, existing laws impose significant restrictions on the cross-border movement of labor and capital.

According to 2023 International Labour Organization (ILO) data, the informal sector employs 81.2% of the Indonesian workforce. Many food products, particularly rice, are produced by state-owned enterprises and are heavily subsidized by the Indonesian government to keep them affordable for poorer segments of the population. A long-standing debate concerns government fuel subsidies, which benefit the mobility not only of poor people but also of the affluent middle and upper classes. Prices for other goods tend to be determined by market forces.

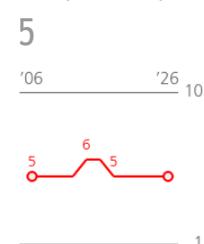
State-owned enterprises (SOEs) dominate the Indonesian economy, and private businesses face significant challenges competing with SOEs. SOEs are protected by a widespread patronage network of political and administrative decision-makers. Under Joko Widodo's administration, the role of SOEs was further strengthened. This is unlikely to change under the new Prabowo administration. SOEs receive regular cash injections to enhance their operations, and have been entrusted with a significant share of the government's infrastructure-development initiatives since 2015.

In February 2025, the Indonesian government launched Danantara, a new sovereign wealth fund designed to pool funds from Indonesia's state-owned companies and channel them into strategic projects such as downstreaming national energy production. Citing Singapore's Temasek Holdings as a model, President Prabowo Subianto argued that the new super-holding company would manage Indonesia's state-owned companies more efficiently. Critics argued that Danantara once again showed that the government is focusing on large, state-controlled companies and crowding out private actors.

Market organization



Competition policy



Indonesia's anti-monopoly measures are extremely limited. The country's Commission for the Supervision of Business Competition (KPPU) was established in 2000 under Indonesia's Anti-Monopoly and Unfair Competition Law. However, because of its limited budget, the KPPU can manage only a small number of cases a year, and several of its rulings have been overturned by the Supreme Court. Represented by the KPPU, Indonesia is a member of the International Competition Network.

Indonesia has traditionally prioritized domestic consumption over foreign trade as the primary driver of economic growth. This trend strengthened during the review period. Indonesia's trade-to-GDP ratio fell from 48% in 2014 to 41.3% in 2023. These figures are lower than the average global trade-to-GDP ratio of 58.5% (World Bank 2023).

Indonesia often uses tariffs and non-tariff measures to protect its domestic market. In 2023, according to World Trade Organization (WTO) data, the average applied most-favored-nation rate was a relatively high 8% – twice that of neighboring Malaysia, for example. This, as well as a large number of non-tariff trade barriers, indicates a relatively strong tendency toward protectionism. In his inauguration speech, President Prabowo stated that Indonesia would drastically reduce its imports and would seek to reach self-sufficiency in food and energy production as soon as possible. To enable a reduction in food imports, the Prabowo administration tasked the military with building large food estates, clearing forests and swamps on outer islands to make way for cassava, soybean and rice planting. The new food estates will cover about 3 million hectares, an area approximately the size of Belgium. Such policies clearly run counter to the concept of liberalization of foreign trade.

In the realm of international trade cooperation, however, Indonesia was a co-founder of the Regional Comprehensive Economic Partnership (RCEP), a large free-trade zone established between the Association of Southeast Asian Nations (ASEAN) and several other states, including China. The private sector can now use preferential tariffs under the agreement when exporting to or importing from Indonesia. In January 2025, Indonesia joined the BRICS group of states, which is widely seen as a counterpart and alternative to the G-7 bloc of the world's largest economies from the West. Thus, while significant (non-tariff) trade barriers remain and the importance of foreign trade is relatively low, Indonesia has also initiated meaningful measures in recent years to foster international trade liberalization.

Liberalization of  
foreign trade

6

'06 '26 10



1

Due to comprehensive restructuring and consolidation efforts following the Asian financial crisis of 1997/98, Indonesia's banking system remains in good condition despite economic turbulence caused by the COVID-19 pandemic, and current indicators point to overall stability. Indonesia's capital adequacy ratio (CAR) stood at 27.1% in October 2024.

This benchmark, indicating a bank's soundness in relation to risk, is well above the Basel II requirements. As of March 2024, non-performing loans represented a relatively small share (2.25%) of banks' total gross loans.

Indonesian banks, particularly state-owned banks, regularly publish information on their economic activities.

During the COVID-19 pandemic, an intense political debate emerged over whether the central bank (Bank Indonesia) should retake its banking supervision role from the Financial Services Authority (OJK), which is considered relatively independent of the government and was only recently granted this authority. Ultimately, no significant revisions were made, and the OJK remains responsible for regulating the capital market and overseeing the banking sector. Under current law, the government's budget deficit is capped at 3% of GDP, and the debt-to-GDP ratio is not allowed to exceed 60%.

The Indonesia Stock Exchange (IDX) is a stock exchange based in Jakarta's central business district. In recent years, the IDX has seen one of the fastest rates of membership growth in Asia. This growth suggests the emergence of a thriving capital market outside Indonesia's traditionally dominant banking sector

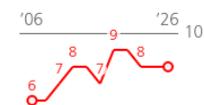
## 8 | Monetary and fiscal stability

Indonesia has traditionally maintained prudent anti-inflation and exchange rate policies. Inflation rates remained relatively low in 2023 and 2024, at 2.6% and 1.6%, respectively. In 2024, Indonesia recorded its lowest calendar-year inflation rate since the Asian financial crisis of 1997/98.

To contain inflation, the central bank (Bank Indonesia), which is officially independent but not completely immune to political influence, has kept its benchmark interest rate relatively stable since December 2022. In November 2024, Bank Indonesia decided to maintain the central bank interest rate at 6%, the deposit facility rate at 5.25% and the lending facility rate at 6.75% with the aim of keeping inflation within the target range of 2.5% for 2024 and 2025 while also supporting sustainable economic growth.

### Banking system

8



1

### Monetary stability

8



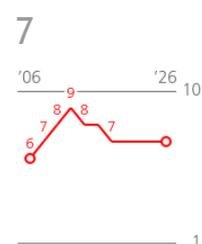
1

Indonesia's national currency, the rupiah (IDR), remained relatively stable during the review period. In January 2023, the exchange rate was about IDR 15,500 per USD 1, which was only slightly below the rate of IDR 16,000 per USD 1 in January 2025.

Indonesia's foreign exchange reserves rose to a record \$156.1 billion in January 2025. A new government regulation, introduced in January 2025 and expected to boost foreign exchange reserves, requires exporters of natural resources to retain 100% of their foreign exchange earnings within the national financial system for at least one year. Estimates suggest the policy could inject about \$80 billion into Indonesia's foreign exchange reserves in 2025.

As in many other countries, the economic downturn caused by the COVID-19 pandemic destabilized Indonesia's previously solid fiscal position. The budget deficit under the outgoing Joko Widodo administration rose to 2.3% of GDP in 2024. The Prabowo administration's first budget projected a deficit of 2.53% of GDP in 2025. On several occasions, President Prabowo has said that taking on new state debt will be necessary in order to promote economic development in Indonesia. In September 2024, Indonesia's government debt amounted to 38.9% of nominal GDP. The growing state debt has sparked extensive debate in Indonesia, and critics have accused current President Prabowo and his predecessor, Joko Widodo, of adopting a risky, debt-driven policy. Nevertheless, when viewed comparatively, the debt-to-GDP ratio of about 40% remains one of the lowest such figures in Southeast Asia and even globally. Indonesia's government consumption amounted to 7.4% of GDP in 2023, which is also not very high by global standards. Indonesia's tax ratio, at around 10% of GDP, is relatively low compared with other middle-income and large developing countries. This is due to the country's low tax compliance rate, with many citizens failing to file or underreporting taxable income. According to the national Ministry of Investment, Indonesia received foreign direct investment worth \$55.33 billion in 2024, an increase of 21% from 2023. Most of the FDI came from China and was related to natural resources and commodities. Despite the recent increase, the total amount of FDI remained below the government's expectations.

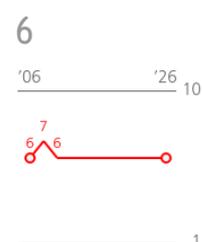
#### Fiscal stability



## 9 | Private Property

Property rights are generally well protected in Indonesia, but documentation and registration remain unreliable. In the land sector, hundreds of conflicts, particularly in plantations and around government infrastructure projects, destabilize the country. President Jokowi sought to address long-standing property registration problems by distributing land ownership and use certificates to citizens and legal entities that had previously tried unsuccessfully to obtain them. Critics dismissed the action as a publicity stunt, but the program in fact helped to formalize land rights in Indonesia.

#### Property rights



On the Property Rights Alliance's 2024 International Property Rights Index, Indonesia ranked 62nd among 125 countries, up from 98th in 2020. The country's score on the physical property rights subindex rose slightly to 5.647, with scores of

6.154 for perception of property rights protection, 4.967 for registration process and 5.822 for access to financing. It received its lowest scores in the areas of copyright protection and control of corruption.

Generally, the Indonesian state supports private enterprises, viewing them as primary engines of economic production alongside state-owned enterprises. The government assigns significant weight to private investment and recognizes its importance in long-term economic planning.

Government spending as a share of GDP was 17.54% in 2022 (IMF), relatively low in global comparison. Nonetheless, private businesses faced recurring challenges during the Jokowi administration due to the influential role of state-owned enterprises (SOEs). Throughout the evaluation period, no privatization initiatives were implemented by the Indonesian government. The Prabowo administration is expected to continue along this path.

According to a recent Asian Development Bank (ADB) report, more than 50% of Indonesia's private sector companies, primarily micro and small enterprises, operate in the informal sector. Such a substantial informal sector weakens productivity growth over time and ultimately diminishes Indonesia's global competitiveness.

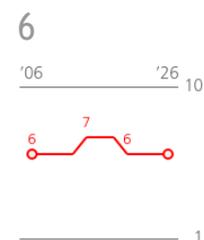
February 2024 data from the National Statistics Agency (BPS) showed that 84.13 million individuals (59.2%) were engaged in informal activities, compared with 58.05 million (40.8%) in formal employment.

## 10 | Welfare Regime

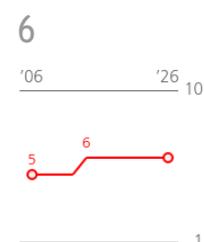
While Indonesia's social safety nets remain underdeveloped compared with those of many European countries, there have been significant improvements in recent years. In 2014, the health component of a new social security agency, Badan Penyelenggara Jaminan Sosial Kesehatan (BPJS), began operating with the goal of providing health insurance to all Indonesians. Citizens with a regular income pay monthly premiums, while the government covers these costs for the poor or unemployed. The primary focus is health care, but the approach also could be interpreted as an anti-poverty measure. BPJS Kesehatan President Director Ali Ghufon Mukti said the total number of National Health Insurance (JKN) participants as of October 31, 2024, had reached 277,538,004, or about 98.25% of Indonesia's population.

In 2015, the second BPJS component launched, offering accident and life insurance as well as pension programs for people older than 56. However, existing pension schemes are very basic, resulting in state-sponsored pensions of less than \$200. As these additional health and social assistance programs have required support, the Indonesian government has faced significant increases in health and welfare spending.

Private enterprise



Social safety nets



The Indonesian state maintains that equal opportunities exist for everyone to pursue education, hold public office and gain employment. However, specific hurdles exist for women, the poor, rural citizens, the LGBTQ+ community, and ethnic and religious minorities.

With regard to gender equality, Indonesia was ranked 100th out of 145 countries on the World Economic Forum's 2024 Global Gender Gap Index (after Bangladesh and before Hungary). On the economic participation and opportunity subindex, Indonesia was ranked at 89th place, slightly better than in the overall index. The fact that women outnumber men in tertiary education suggests that educational opportunities are equal from a gender perspective. However, according to the World Bank, the labor force participation rate among women was 53.3% in 2023, compared with 81.9% for men. This suggests that women more often stay at home as housewives. Additionally, women are under-represented in parliament, holding only 22.4% of the institution's seats after the 2024 election.

Underprivileged citizens who attend low-quality public schools face constraints similar to those faced by private school graduates when seeking employment or public office; however, private school graduates are structurally better positioned in these pursuits.

Rural Indonesians face more challenging conditions than their urban counterparts. In March 2023, 7.1% of urban residents lived in poverty, compared with 11.8% of rural residents.

The LGBTQ+ community faces severe discrimination not only in law – such as the criminalization of same-sex activities in the criminal code – but also in daily life.

Similarly, ethnicity and religion continue to shape access to employment and public office, facilitating or impeding such activities depending on location. Minorities can face substantial hurdles in regions with a dominant ethnic or religious majority. Sino-Indonesians have faced difficulties securing legislative and executive positions nationwide, with a few exceptions in district-level areas where they form a sizable minority or even the majority.

## 11 | Economic Performance

Indonesia has experienced significant, stable economic growth in recent years. In 2024, Indonesia's GDP at current prices reached about \$1.35 trillion, while GDP per capita was IDR 78.6 million, or \$4,960. The key sectors of the Indonesian economy are mining/manufacturing (33% of 2023 GDP), trade/restaurants/hotels (16%), agriculture/forestry/fisheries (13%), construction (10%) and transport/logistics/communications (10%). Bolstered by good performance on other relevant economic indicators, such as stable prices and low inflation rates, Indonesia

Equal opportunity

5

'06 '26 10

5

1

Output strength

8

'06 '26 10

7 6 7 8 7 8 8

1

appears likely to continue growing in the near future. According to the National Statistics Agency (BPS), the number of unemployed people stood at 7.47 million, representing 4.9% of the working-age population, in August 2024.

In 2024, Indonesia had a current account deficit of \$8.9 billion, equivalent to 0.6% of GDP. According to the national Ministry of Investment, Indonesia received \$55.33 billion in foreign direct investment (FDI) in 2024, up 21% from 2023. Most of this FDI came from China and was related to natural resources and commodities. Despite the recent increase, the total amount of FDI remained below the government's expectations.

The GDP growth rate in both 2023 and 2024 was about 5%. The World Bank and the Asian Development Bank expected the 2025 rate to be 5.1%, aligning with pre-pandemic levels. These projections are attributed to private consumption and positive performance in commodity exports.

However, President Prabowo Subianto has set his sights higher. The new president has voiced ambitious plans to bring about a “Golden Indonesia” (Indonesia Emas) that will be a fully developed country by 2045, exactly 100 years after Indonesia's declaration of independence in 1945. According to Prabowo, annual GDP growth must be at least 8% to reach this target.

Most economic forecasts – such as those from the Asian Development Bank (ADB) and the World Bank – have regarded these ambitions with skepticism, pointing to external economic headwinds. These include global financial volatility originating in American and European markets, as well as ongoing shocks from Russia's invasion of Ukraine. These factors may adversely affect economic developments in Indonesia. However, despite some external risks, these international institutions generally view Indonesia's macroeconomic performance very positively.

## 12 | Sustainability

Environmental concerns have some influence on government and business practices, but they remain firmly subordinate to the overall goals of economic development and social stability. Consequently, the Climate Action Tracker (CAT) rates Indonesia's environmental policies and actions as “critically insufficient.”

Despite signing the Just Energy Transition Partnership (JETP) with the International Partner Group (IPG) in 2022, Indonesia's energy policy focuses heavily on coal-fired power plants. According to the Ministry of Energy, coal (39.7%), oil (29.9%) and gas (17.1%) still accounted for the largest share by far of electricity generation in 2023, while all renewable energy sources, including geothermal energy, together accounted for only 13.1% of total capacity.

Environmental  
policy

3

'06 '26 10

4 3 1

1

The Indonesian government has set targets for the share of electricity generated from renewable sources of 23% by 2025 and 31% by 2050. However, as of early 2025, renewable energy resources still made up only a small portion of nationwide power generation capacity.

Consequently, Indonesia has not significantly reduced its carbon emissions. According to the International Energy Agency (IEA), per capita carbon dioxide emissions increased from 0.27 metric tons in 1970 to 2.365 metric tons in 2022. Indonesia is currently the world's seventh-largest greenhouse gas emitter, and emitted 651.7 million tons of carbon dioxide in 2022.

In the transportation sector, Indonesia has policies in place to support biofuels and electric vehicles, but current outcomes fall short of national targets. In early 2025, the Prabowo administration made substantial budget cuts to public transportation at the provincial level, resulting, for example, in all public buses in Yogyakarta and Bali being halted. In addition, President Prabowo has made several statements that “unjustified environmental regulations” imposed by Western countries will be rolled back by his administration.

In recent years, Indonesia has made significant investments in palm oil, making it the world's largest exporter. Initially praised as being environmentally friendly, palm oil is now strongly linked to deforestation and social conflict, sparking serious tensions between the Indonesian government and the European Union. The European Union aims to gradually eliminate imports of palm oil.

To make approval of business permits less time-consuming, the Joko Widodo government has streamlined the environmental impact analysis (AMDAL) requirement. In several public statements, President Prabowo announced his intention to reintroduce the environmental check by state agencies.

Indonesia has a broad network of education and research facilities, but quality is generally poor by international standards. The Programme for International Student Assessment (PISA) typically ranks Indonesia among the poorest performers global in its series of tests. Nevertheless, Indonesia has made significant progress in education in recent years.

The nation's score on the U.N. Education Index was 0.650 in 2019, a notable improvement compared with 2009 (0.579). Between 2000 and 2021, the proportion of 25- to 34-year-olds with tertiary education in Indonesia rose (albeit at a slower rate than the average across OECD countries) by almost 13 percentage points (from 6% in 2000 to 18.7% in 2021). Nevertheless, the overall share of people who enroll in tertiary education is relatively low (20.8% in 2024).

The education sector in Indonesia remains underfunded. According to the World Bank, education spending amounted to 3.5% of GDP in 2020, well below the world average of 4.3%. Despite public statements about increasing the education budget, the Prabowo administration instead appears to be making cuts, particularly for state universities. In terms of research and development, the latest available data from the World Bank (2020) show a very low R&D expenditure of 0.2% of GDP.

Education policy /  
R&D

5

'06 '26 10



1

## Governance

### I. Level of Difficulty

With a population of more than 270 million, Indonesia is the world's fourth most populous country, with a remarkable diversity of ethnic, religious and linguistic groups. The country is formed by an archipelago of more than 17,000 islands around the equator, stretching approximately 5,000 kilometers from west to east. While some areas, particularly the main island of Java, are heavily overpopulated and relatively well developed, other more remote islands, especially in the eastern part of the country, are sparsely populated and significantly less developed.

Situated at the center of the so-called Ring of Fire, Indonesia is among the most disaster-prone countries in the world (e.g., earthquakes, volcanic eruptions, tsunamis, flooding and landslides). These recurring events pose a severe threat to the country's stability. In the University of Bochum's WorldRiskIndex 2024, which assesses disaster risk from extreme natural events and negative climate change impacts for 193 countries worldwide, Indonesia ranks second globally, behind the Philippines. Given these geographic and demographic conditions, it is difficult for any government to provide adequate infrastructure and public services (e.g., health care and education) to all parts of the country.

Besides these geographical factors, other major constraints on the Indonesian leadership's capacity to govern are structurally ingrained social inequality and weak state capacity, particularly in rural areas. Despite remarkable GDP growth in recent years, the poverty rate is declining only slowly. While the official poverty rate is around 9%, about a third of the population lives close to the poverty threshold.

Similarly, the lack of an educated workforce remains a challenge. Rampant corruption and a weak rule of law continue to undermine the development of a democratic state and a well-developed economy.

Structural  
constraints

6

'06 '26 10

5 6

1

1

For more than 100 years, even before independence, Indonesia has had a large number of civil society organizations. In the Era Reformasi, which began after authoritarian President Suharto resigned in May 1998, a large number of civil society organizations reemerged, particularly in larger cities and in Java.

While urban organizations are usually led by educated people, rural areas rely on other forms of social cooperation, such as mutual assistance (*gotong royong*). Rural life, particularly in Java, is often organized around cooperatives (*koperasi*) as the basis of economic activity. These forms of social capital play an important role in protecting the poor and vulnerable from economic hardship and the escalation of sociopolitical conflict. Moreover, locally based interest groups can contribute to political decision-making at the communal level.

At the national level, numerous NGOs address contested issues such as human rights abuses and social justice. In recent years, however, the Joko Widodo and Prabowo Subianto administrations co-opted dozens of critical NGO activists by giving them financially lucrative positions within their administrations, including as members of the presidential staff office. On the one hand, it is good that these critical individuals are brought into government; on the other, it means civil society is losing prominent voices that have been willing to be critical of government action.

By far the largest and most influential organizations in the fields of social welfare and education are moderate Muslim mass organizations such as Nahdlatul Ulama and Muhammadiyah. However, not all civil society groups support principles of good governance. Some openly pursue non-democratic goals such as limiting the rights of religious minorities. Others are controlled by politicians and serve their sponsors' interests.

In general, levels of social trust are relatively high, and the civic culture of participation is more robust than in most other Southeast Asian countries.

The level of violent tension between sociopolitical groups has declined since the 2019 elections. This decline stems not only from mobility restrictions imposed during the COVID-19 pandemic, but also from the Joko Widodo administration's carrot-and-stick policy toward the political opposition led by radical Islamists. Joko Widodo's successor, Prabowo Subianto, continued this approach in his first months in office.

Conflict intensity between social groups declined significantly after Joko Widodo appointed his two-time electoral competitor, Prabowo Subianto, to his cabinet in 2019, and then supported Prabowo's third presidential candidacy in 2024. In addition, in exchange for his support for Prabowo in the election campaign, Joko Widodo convinced Prabowo to choose his son Gibran as vice-presidential candidate. Not surprisingly, conflict intensity in the February 2024 elections was lower than in the 2014 and 2019 elections.

Former conflict areas such as Aceh, Central Sulawesi, South Kalimantan and the Moluccas have been relatively peaceful in recent years. This is not the case in the Papua provinces, where regular clashes continue, pitting the national army and police against militant Papuan groups. Several people have been killed, and the intensity of

#### Civil society traditions

6

'06 \_\_\_\_\_ '26 10

6

1

#### Conflict intensity

5

'06 \_\_\_\_\_ '26 10

7 6 5 6 5

1

the conflict remains high. Newly elected President Prabowo has so far opted for military oppression, not a dialogue strategy, to curb resistance in Papua. His statements that he would send thousands of (non-Indigenous) criminals and drug addicts to Papua after their release from prison to build plantations have drawn a largely negative response from the Papuan community.

## II. Governance Performance

### 14 | Steering Capability

President Prabowo Subianto's administration has outlined policy priorities for his 2024 to 2029 term in the Asta Cita program. Eight points are listed, including strengthening national defense and the armed forces, as well as encouraging national independence through self-sufficiency in food, energy and the blue (marine) economy. As promised during the election campaign, Prabowo largely plans to continue his predecessor Joko Widodo's programs. This includes the downstreaming approach to Indonesia's natural resources, as well as the relocation of the capital from overcrowded Jakarta to Nusantara in East Kalimantan. As a result of the COVID-19 pandemic and other administrative challenges, construction of the new capital has been delayed several times. It is certain that the Prabowo administration will continue building government buildings in Nusantara, but, as reflected in the budget, this is being given a lower priority than under the previous administration.

In general, the government's strategic priorities are oriented toward the long term and are not being sacrificed in pursuit of short-term political benefits. In early 2025 and throughout the review period, the country was being run by a popular president supported by nearly all political parties, the military and business elites, a fact that facilitated the pursuit of long-term strategies.

The Indonesian governments under presidents Joko Widodo and Prabowo Subianto have generally been effective in implementing their policies. This was particularly evident in the rapid implementation of several infrastructure projects. However, the administration remains dependent on fiscal resources and bureaucratic capacity to realize its ambitious programs.

Both constraints are long-standing but became more pronounced during the pandemic. Due to reduced revenues and increased COVID-19-related spending, the government had to delay many planned projects (for example, the plan to move the capital to East Kalimantan before the end of President Joko Widodo's term in 2024). A thorough reform of the underfunded and poorly structured education system has also been delayed.

Question  
Score

Prioritization

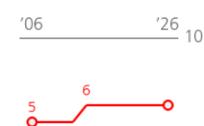
7



1

Implementation

6



1

One major, ambitious plan under the current Prabowo administration is to provide all schoolchildren across the archipelago with warm lunches. Implementation began in January 2025; however, many critics fear that the food distribution being organized by army units will be marred by administrative weaknesses, corruption and inefficiency.

A more persistent problem with regard to implementing reforms is the country's bureaucracy, which often impedes effective policy implementation due to the interference of vested interests, red tape and corruption. In nearly all ministries and executive agencies, power holders prevent policy implementation not because of technical difficulties or bureaucratic resistance, but because the policies run counter to their personal agendas. These fiscal and bureaucratic limitations on policy implementation are likely to remain a structural problem in the near future.

In the area of economic and technical development, the government has demonstrated some ability to learn from international experience. Focusing on improving physical infrastructure such as highways, harbors and public transportation as the basis for economic development was an approach adapted from successful models in neighboring Malaysia and Singapore. The idea of *hilirisasi* (downstreaming) – a strategy that aims to increase the amount of locally added value for products or commodities via further domestic processing and development before export – is another example.

Additionally, policy learning is evident in the Indonesian government's support for innovative and creative business startups. Promoting e-commerce and domestic champions such as Gojek, Bukalapak and Tokopedia is highly likely to pay off for the Indonesian economy in the near future.

Politically, however, Jokowi's administration during his second term and the incoming Prabowo administration have increasingly come to resemble the Orde Baru (New Order) of former President Suharto, whose prioritization of economic development over human rights, respect for the rule of law and environmental protection was relatively successful for decades, but proved unsustainable in the long run. The erosion of civil liberties, the repression of opposition groups, and the increasing influence of the military and police show that neither President Joko Widodo nor President Prabowo Subianto have learned from the mistakes of the authoritarian past. Prabowo, whose career was largely advanced by his father-in-law, Suharto, grew up under the authoritarian Orde Baru, and his mindset is still largely influenced by the alleged successes of this regime.

Policy learning

6



## 15 | Resource Efficiency

Traditionally, Indonesia has used its vast human and natural resources inefficiently, and the Jokowi government and the Prabowo administration have as yet been unable to make significant progress in this regard. Revenues from natural resource exports still represent the largest share of the national budget. Prabowo Subianto has made it clear that he sees the sale of commodities as the most effective tool to promote economic development, but has not adequately addressed the significant environmental damage caused by increased mining, plantation building through deforestation, and energy production by burning fossil resources such as coal.

Few improvements have been made with regard to domestic excavation and refining. Despite several government interventions to promote the construction of smelters and refineries (downstreaming strategy), many natural resources, particularly oil and coal, leave the country unprocessed and at relatively low prices.

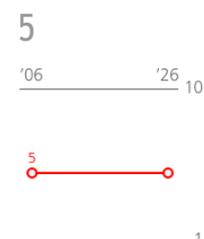
Restrictive and unclear policies have discouraged many investors, both foreign and domestic, from investing in a wide range of economic sectors that consequently remain underdeveloped. In terms of human resources, the civil service, which comprises 4.3 million employees, remains overstaffed, ineffective and corrupt. In many cases, public servants are not appointed through competitive recruitment procedures; instead, positions are used as a tool of patronage.

In recent years, the national government has not faced major problems with regard to policy coordination. Given their large and stable majorities in the national parliament and support from the judiciary, presidents Joko Widodo and Prabowo Subianto have not needed to mediate among conflicting groups.

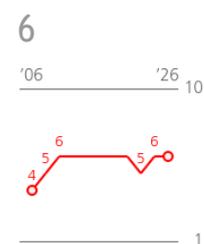
What makes policy coordination difficult in Indonesia is the large number of government ministries, which are run by a wide range of parties and actors with their own interests. These parallel structures often lead to redundancy and friction. The cabinet appointed by Prabowo Subianto in November 2024 included 48 ministers, 56 deputy ministers and seven heads of ministerial-level agencies. The president's attempt to consolidate his large alliance of political parties and social groups such as the army and the police has a major weakness: The cabinet suffers from a lack of coordination because of its bloated size and the numerous political appointees with different backgrounds and mindsets.

Another issue that makes policy coordination difficult is Indonesia's highly decentralized state organization, which can lead to a lack of policy coherence. However, this weakness is outweighed by the numerous advantages of allowing local customs and traditions to persist across the huge archipelago.

Efficient use of assets



Policy coordination



There are several potential trade-offs and contradictions in the current government’s policy objectives. One goal is to strengthen the role of the armed forces in politics, administration and the economy, as noted in the Asta Cita plan. However, this contrasts with the objective of deepening democracy and pursuing good governance. Another set of conflicting objectives is the goal of giving top priority to rapid economic development, which is at odds with preserving the environment.

Corruption remains endemic in the Indonesian political and economic system. However, Indonesia has also secured a relatively high number of effective convictions of high-ranking individuals for corruption (at least compared with neighboring countries such as Malaysia and the Philippines).

Despite limited funding and staffing, the Indonesian Anti-Corruption Commission (KPK) has been an important player in the fight against corruption. In recent years, however, the KPK’s powers have declined (see “Prosecution of office abuse”) as the government and parliament have tried to reduce the KPK’s autonomy, and have placed it under the public service and the national police.

President Prabowo’s ambiguous positions on the issue were thrown into relief when he on several occasions demanded the death penalty for individuals engaged in large-scale corruption. However, on another occasion in November 2024, he proposed that those involved in corruption be allowed to evade jail if they return the money they have stolen.

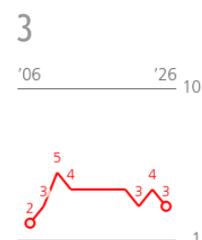
Meanwhile, audits of state expenditures remain largely inconsequential, with findings by the State Auditing Board (BPK) often playing a purely administrative function, and rarely leading to prosecutions of perpetrators.

Public procurement lacks transparency, and implementation of the Freedom of Public Information Act of 2010, which regulates public access to information (see “Freedom of expression”), is sluggish. Clear regulations govern private contributions to political parties and candidates during election campaigns, but they are not (or very rarely) implemented in practice.

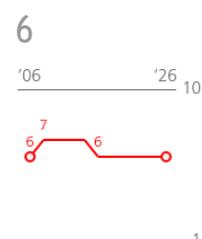
### 16 | Consensus-Building

Except for a relatively small group of Muslim hard-liners who advocate for the establishment of a theocratic caliphate, the majority of Indonesians openly support democracy. In a Pew Research Center survey published in February 2024, 61% of Indonesians said they were satisfied with the way democracy was working in their country, while 35% said they were not. However, views on what democracy actually means vary widely. While most people support elections and majority rule, the other components of a full-fledged liberal democracy are more disputed.

Anti-corruption policy



Consensus on goals



Former President Joko Widodo and his administration did not demonstrate strong adherence to liberal democratic ideals, and respect for civil liberties and political rights has declined in recent years. Current President Prabowo Subianto is also known as a critic of liberal democracy. On several occasions, he has complained about the complexity and cost of processes such as elections. In late 2024, he openly supported abolishing direct local elections for mayors and regents.

There is broad consensus in Indonesia regarding the value of retaining democracy in the future, but this remains a rather minimalist form of electoral democracy.

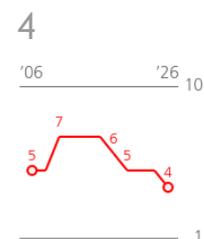
There is no consensus on the value of the market economy, because major political parties including PDI-P and President Prabowo's Great Indonesia Movement Party (Gerindra) openly reject economic liberalism and propose a more state-led economy dominated by the government and state-owned enterprises. Unsurprisingly, Indonesia's economic system shows some similarities to this model, including a fairly significant amount of protectionism in foreign trade and a lack of public political support for privatizing powerful state-owned enterprises.

In general, there are two powerful anti-democratic veto actors in Indonesia: the military and radical Islamic forces. Traditionally, Indonesia's post-Suharto governments followed a policy of co-opting these influential anti-democratic actors in an attempt to control potential spoilers of the democratic project. However, this approach ultimately allowed potential anti-democratic actors to establish themselves in the political infrastructure. For example, President Jokowi was elected as a reformer in 2014, but once in office, he accommodated anti-democratic actors to such an extent that his reformist image rapidly evaporated. Meanwhile, an increasing number of active soldiers took on positions in the traditionally civilian public sector. The new power of the armed forces became visible in July 2023, when soldiers in military fatigues strode into the Indonesian Anti-Corruption Commission (KPK) headquarters and demanded that graft charges against two active officers be dropped. This was the consequence of countless small political exceptions that have once again normalized the military's role in politics.

With the election of Prabowo Subianto, a key military figure in the New Order era who once had a familial bond with the dictator Suharto, the military is likely to play a still more decisive role in the coming years.

Another group of undemocratic actors consists of intolerant Islamists. Although their promotion to government offices has been somewhat curtailed during President Jokowi's second term and under the new cabinet of Prabowo Subianto, they still play an important role in the government apparatus. As a result, anti-democratic actors who are part of the political establishment have been partly responsible for the incremental erosion of democracy.

Anti-democratic actors



In the early 2000s, ethnic conflicts and the center-periphery conflict between Java and the other islands played a large role in the country's political life. These conflicts have declined significantly (except in Papua) thanks to increased regional autonomy (decentralization) and a budget allocation scheme that directs more funds to resource-poor regions than to those able to generate sufficient income on their own.

Currently, the most important sociopolitical cleavage is between supporters of a greater role for Islam in the state's organization and those who favor maintaining the country's existing pluralist constitution. As described previously, the current administration has attempted to address this conflict partly by including some Islamists in government while excluding and punishing others. However, the conflict persists. Fortunately, it did not play a significant role in the 2024 national elections.

Class divisions are significant but are not generally expressed politically. This is due to the lack of a significant leftist political party, a legacy of anti-communist propaganda during the authoritarian New Order (Orde Baru) era.

The political environment for civil society activism is considerably more favorable in Indonesia than in most other Southeast Asian countries. Regulations on the subject are less strict than those in the region's authoritarian regimes, and unlike the Philippines under Duterte, the government has not pursued a policy of intimidation and coercion. At the national, and especially the subnational, levels, there are myriad examples of cooperation between the government and civil society.

At the national level, however, during Jokowi's last two years in office, his government's willingness to take into account and accommodate the diverse interests of Indonesia's vibrant civil society declined significantly. Many laws were rushed through parliament in the space of a few weeks – even in a single day in the case of the law governing the election of regional heads – without intensive exchange with members of civil society. In November 2021, the Constitutional Court declared the omnibus law unconstitutional because the public had not been sufficiently consulted during its drafting.

In the case of the Prabowo administration, it is still too early to make a fair assessment of its practices in this area.

On several occasions, former President Joko Widodo announced his willingness to facilitate reconciliation between victims and perpetrators of past injustices, such as the mass murders of 1965/66 or the violence surrounding the regime change in 1998. Ultimately, however, Jokowi's announcements yielded no tangible results. Resistance from the military, which has been involved in countless human rights violations throughout Indonesia's history, was and remains too strong on this issue.

During his military career, President Prabowo, as commander of a special counterinsurgency unit of the Armed Forces, was responsible for the kidnappings and disappearances of student activists in the final weeks of the authoritarian New Order.

#### Cleavage / conflict management

7

'06 '26 10



1

#### Public consultation

6

'06 '26 10



1

#### Reconciliation

4

'06 '26 10



1

He has not apologized for his role in these massive human rights violations, which led to his dishonorable discharge from the military after the 1998 regime change. After his 2024 election victory, more than 25 years later, his Gerindra party offered compensation of about \$60,000 to the families of the disappeared student activists. While some accepted the hush money, others refused it.

## 17 | International Cooperation

Over the past decade, Indonesia's foreign aid and assistance focus has shifted from support for governance reform to loans for large infrastructure projects, including the new capital, Nusantara, in East Kalimantan. Despite enormous efforts by President Joko Widodo's administration, these loans have not been secured at the hoped-for scale.

The country's international cooperation remains heavily constrained by corruption, an inefficient bureaucratic system and red tape within implementing organizations. Evaluations of aid programs have shown misuse of assets by bureaucrats and some implementing organizations.

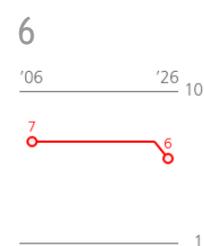
Indonesia's primary donor is the People's Republic of China, while American and European cooperation has stagnated in recent years. Overall, the government has a road map for using international cooperation to further its development, but this road map replaces support for good governance with support for technological cooperation.

Foreign sociopolitical organizations such as Germany's Konrad Adenauer Stiftung and Friedrich Ebert Stiftung, in each case foundations focused on political education, have found it increasingly difficult to work in Indonesia because the government severely limits the topics on which they may cooperate as well as their choice of local partner organizations.

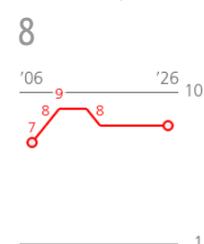
Indonesia is widely seen as a credible diplomatic partner. It is a moderate, non-combative actor that consistently promotes multilateral solutions to international problems. All post-authoritarian governments, particularly those after 2014, have stressed that Indonesia does not want to side with the West, China or Russia. Instead, the country promotes cooperation with all major powers. Joining the BRICS group of states as a full member in January 2025 represented an important step in that direction.

The foreign policy of new President Prabowo Subianto will likely be decidedly more active than that under Joko Widodo, who never felt comfortable on the international stage. Prabowo's considerable self-confidence and international experience will certainly make Indonesia more visible in the world than it has been in the past 10 years. Prabowo broke with tradition by not appointing a career diplomat as foreign minister, and instead appointed First Lieutenant Sugiono, a loyalist from Prabowo's political party who is often described as Prabowo's "ideological son."

Effective use of support



Credibility

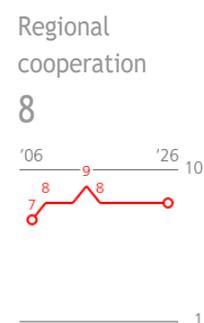


In the economic realm, Indonesia's credibility is lower than that of many neighboring countries. Foreign investors have complained about frequent policy flip-flops, abrupt bans on commodity exports (including palm oil and nickel), and continued legal uncertainty. It is no wonder that foreign direct investment flows remain modest, particularly compared with those seen in neighboring countries such as Malaysia and Vietnam.

As by far the largest Southeast Asian country in terms of population and economic size, Indonesia remains the key actor in the Association of Southeast Asian Nations (ASEAN). In 2023, Indonesia assumed the ASEAN chairmanship and navigated the bloc through the ongoing U.S.-China rivalry in the South China Sea, aiming to prevent the bloc from becoming a proxy for either superpower. In late 2024, however, a diplomatic agreement between newly elected President Prabowo Subianto and the Chinese government led to intense political discussions. The joint declaration between Indonesia and China contained the phrase “overlapping territorial claims” near the Indonesian Natuna Islands. Critics argued that Indonesia seemed to have recognized, implicitly or otherwise, that China has a legitimate claim to waters around the Natuna Islands.

In addition, Indonesia took the lead in ASEAN to seek a resolution to the ongoing Myanmar crisis after the military coup in early 2021. However, Myanmar has made no progress on ASEAN's five-point consensus (of which Indonesia was one of the main initiators). The Indonesian administration was also one of the biggest supporters of allowing Timor-Leste to join ASEAN in the near future. Indonesia also participates in the Asia-Pacific Economic Cooperation (APEC) and is a member of the Regional Comprehensive Economic Partnership (RCEP).

There have been small, regular diplomatic scuffles between Indonesia and Malaysia (mostly in relation to the many Indonesian migrant workers in Malaysia), but the overall relationship between the two countries remains stable and cooperative, as is the case with Indonesia's other Southeast Asian neighbors and Australia.



## Strategic Outlook

Indonesia is increasingly moving in an authoritarian direction. The country is unlikely to change course under the new president, Prabowo Subianto, who took office in October 2024. Certain vital components of a full-fledged democracy – such as the freedoms of speech and assembly, the right to peaceful opposition to the government, and the safeguarding of minority rights – appear to have been downgraded in perceived importance. In addition, the political role of the armed forces is growing.

Enhancing political education that underscores the (presumed socioeconomic) advantages of a functional democracy is essential for raising awareness among the general public about democratic and non-democratic policies. An important part of this is the concept of civilian supremacy.

Unfortunately, Indonesia's education system remains generally subpar. Deeply ingrained barriers to modern learning persist, including low levels of funding, hierarchical teacher-student relationships, and a widespread reliance on memorization and repetitive teaching methods. Revamping the education sector will be crucial to Indonesia's future development. Achieving an efficient allocation of state education funds is imperative, along with reducing the use of politically motivated, minimally relevant curricular content such as an excessive focus on inward-looking nationalism and religious teachings.

Radical and anti-democratic Islamists continue to pose a substantial threat to Indonesia's democratic fabric, even though they proved to be less visible and influential during the review period than in previous periods. The most effective approach to reducing their political influence is to avert widespread socioeconomic instability while actively promoting tolerance and respect for diverse faiths within the education sector. National and private boarding schools must adhere to non-discriminatory curricula.

Pervasive corruption is one of the most pressing challenges in both the political and economic spheres. Effectively combating this issue requires consistent enforcement of the law. It will be crucial to strengthen the independence of the national Anti-Corruption Commission and support its valuable work.

On the economic front, Indonesia should focus on bolstering domestic consumption in order to stabilize the economy in the years ahead. Indonesia's relatively limited inflow of foreign direct investment is a major weakness with regard to further economic development. President Prabowo Subianto's ultranationalist statements and neomercantilist trade policies do nothing to mitigate this fact. To increase inflows of foreign direct investment, Indonesia should formulate a clear and cohesive trade and investment policy framework. The interplay between protectionist and free-market policies has caused confusion for domestic and international investors alike. This lack of clarity has hindered the country's investment potential and restricted Indonesia's economic growth. Therefore, creation of a consistent medium- to long-term economic blueprint is imperative, outlining the government's commitment to free-market regimes like the Regional Comprehensive Economic Partnership (RCEP), the ASEAN Economic Community, WTO regulations and bilateral trade agreements.