

Much at stake for Indonesia's upcoming 2024 General Elections

As Indonesia approaches its pivotal 2024 elections in just two weeks' time, the nation stands at a crossroads of democracy and development. This election is set to be more complicated than the previous two election cycles, featuring a three-candidate race that could potentially to reshape the political landscape. Amidst this backdrop of change, key issues such as the shape of Indonesia's next government, economic stability and investment climate are key concerns for many international businesses.

A Test of Indonesia's Democracy

The upcoming presidential elections, due to be held in Indonesia on 14th February 2024, is a test of Indonesia's democracy. The shadow of current President Joko Widodo (Jokowi) looms large. Once hailed for his ascend to the country's top office as an outsider of the political elite circle, Jokowi's partisan endorsement for presidential candidate Prabowo Subianto and vice-president candidate Gibran Rakabuming Raka has attracted calls of nepotism as Gibran is the son of Jokowi. A victory for Prabowo-Gibran could also be the start of a new political dynasty for Jokowi and his family and reshape Indonesia's political landscape.

The dilemma for international businesses lies in the fact that President Jokowi's tenure has been good for business. Significant achievements have been made to boost infrastructure development and attract influx of foreign investment. President Jokowi has also made it abundantly clear that economic development is the key priority of his government.

The forthcoming election is therefore not only a referendum on the next administration but also a broader test of Indonesia's democracy. The hope of continuity in the current friendly investment climate in the form of a Prabowo-Gibran victory could be at odds with Indonesians who have expressed misgivings over the erosion of the country's democracy.

An Undecided Race

So far, nothing is set in stone in the lead-up to the election. While the Prabowo-Gibran duo has garnered approximately 45% support in recent opinion polls, candidate pair needs to win at least 50% of the national vote and at least 20% in half of Indonesia's 38 province. A second round of voting could take place if there is no clear winner in the first round.

The possibility of a second round, scheduled on 26th June if necessary, means an extended period of political ambiguity and policy uncertainties ahead for international businesses. With only two weeks remaining until the final voting day, the situation remains fluid. Political winds might shift in the second round of voting. There are already signs of Prabowo-Gibran's popularity stagnating. If the supporters of the two other presidential candidates, Anies Baswedan and Ganjar Pranowo, join camps, the second round of voting could deliver a surprise result.

International investors are already adopting a 'wait-and-see' approach during the election period. However, companies sitting on the fence could find themselves in a state of limbo for a long time. It is important for companies to keep a close watch on the development of the elections but also continue to engage, especially with the bureaucracy of the Indonesia government in order to advance their business interests.

Campaign rhetoric of presidential candidates

Indonesia's economy has remained relatively stable in the lead up to the election, despite a 0.5% dip in its currency, Rupiah on 30 January 2024. All eyes are on the economic policies of the presidential candidates. The three candidates have proposed ambitious growth plans to help Southeast Asia's largest economy achieve an annual GDP growth of around 6-7%. However, economists are more tempered with realism, predicting the country's annual GDP to grow at around 5% instead. This disparity is reminiscent of the campaign rhetoric used during past presidential elections. President Jokowi also targeted 7% GDP growth per annum during his previous campaign and the actual performance of the country was less optimistic. It is prudent for investors to manage their expectations and monitor the evolving economic landscape.

Favourable economic and investment climate depends not only on the presidential elections result but also the legislative race. While Jokowi was pro-economic development during his two terms, his policies were enabled by the Indonesian Democratic Party of Struggle (PDI-P) which held the largest number of seats in the House of Representatives in Jokowi's second term. As the legislative race unfolds alongside the presidential election, the continuation of the pro-investment climate will rely on the results of the legislative race too.

Regardless of the ultimate winner, Indonesia seems poised to intensify its policy focus on ESG and sustainability initiatives, aligning with the country's drive to achieve Net Zero emissions by 2060. Indeed, the leading candidates are all championing their respective ESG-focused policies, with Prabowo emphasising self-sufficient in essential resources, while Anies plans to fund renewable energy projects with a carbon-tax-backed endowment, and Ganjar proposed taxation on carbon and energy waste. As such, it is crucial for international investors to stay abreast of the evolving sustainability regulatory landscape and compliance requirements post-elections.

Looking Ahead

As Indonesia navigates through this critical election, the nation stands at a juncture where the results will not only shape its democratic trajectory but also carve out its economic future. This period, while marred with complexities, also presents immense opportunities for growth and innovation. For investors and businesses, understanding the nuances of this political-economic landscape is essential for navigating the uncertainties and identifying potential opportunities in a post-election Indonesia.

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